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Counsel for Plaintiff Andrew Okusko

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

ANDREW OKUSKO, individually and on behalf
of all others similarly situated,

Plaintiff,

v.

DYNAMIC LEDGER SOLUTIONS, INC., THE
TEZOS FOUNDATION, KATHLEEN
BREITMAN, ARTHUR BREITMAN, and
TIMOTHY DRAPER,

Defendants.

Case No. 3:17-cv-06829-RS

CLASS ACTION

**DECLARATION OF DONALD J. ENRIGHT
IN SUPPORT OF PLAINTIFF'S MOTION
FOR EXPEDITED DISCOVERY**

**[This motion will be subject to an order
shortening time pursuant to L.R. 6-1.]**

Date: February 29, 2018
Time: 1:30 p.m.
Judge: Hon. Richard Seeborg
Crtrm.: 3, 17th Floor

1 I, Donald J. Enright, declare as follows:

2 1. I am an attorney licensed to practice in the State of Washington, D.C. and am admitted
3 *pro hac vice* in this action. I am a partner with the law firm of Levi & Korsinsky, LLP, counsel for
4 Plaintiff Andrew Okusko in the above-captioned action. This declaration is based on my own personal
5 knowledge of the facts set forth in this declaration, and if called upon, I could and would competently
6 testify thereto.

7 2. I submit this declaration in support of Plaintiff's Motion for Expedited Discovery.

8 3. Attached hereto as **Exhibit 1** is a true and correct copy of the Proposed Production Letter
9 Counsel for Plaintiff emailed Counsel for Defendants on January 22, 2018.

10 4. Attached hereto as **Exhibit 2** is a true and correct copy of the Response Letter Counsel
11 for the Tezos Foundation emailed Plaintiff's counsel on January 24, 2018.

12 5. Attached hereto as **Exhibit 3** is a true and correct copy of the transcript from a Flux
13 Podcast episode featuring an interview with Kathleen Breitman entitled "Kathleen Breitman – Tezos
14 Unleashed," published online on July 12, 2017, [https://blog.rre.com/14-kathleen-breitman-tezos-](https://blog.rre.com/14-kathleen-breitman-tezos-unleashed-d0921294ec91)
15 [unleashed-d0921294ec91](https://blog.rre.com/14-kathleen-breitman-tezos-unleashed-d0921294ec91).

16 6. Attached hereto as **Exhibit 4** is a true and correct copy of the Reuter's online article
17 entitled "Special Report: Backroom battle imperils \$230 million cryptocurrency venture," published
18 on October 18, 2017, [https://www.reuters.com/article/us-bitcoin-funding-tezos-specialreport/special-](https://www.reuters.com/article/us-bitcoin-funding-tezos-specialreport/special-report-backroom-battle-imperils-230-million-cryptocurrency-venture-idUSKBN1CN35K)
19 [report-backroom-battle-imperils-230-million-cryptocurrency-venture-idUSKBN1CN35K](https://www.reuters.com/article/us-bitcoin-funding-tezos-specialreport/special-report-backroom-battle-imperils-230-million-cryptocurrency-venture-idUSKBN1CN35K).

20 7. Attached hereto as **Exhibit 5** is a true and correct copy of the "Fundraiser FAQ"
21 obtained from <https://www.tezos.ch/pages/fundraiser-faq.html> on November 19, 2017.

22 8. Attached hereto as **Exhibit 6** is a true and correct copy of the "Tezos and Tezos
23 Foundation Overview document" entitled "Tezos The self-amending cryptographic ledger" obtained
24 from <https://www.tezos.com/faq>, on November 25, 2017.

25 9. Attached hereto as **Exhibit 7** is a true and correct copy of a Swissinfo online article
26 entitled "Gevers plans to reboot embattled Tezos Foundation," published on January 19, 2018,
27 [https://www.swissinfo.ch/eng/crypto-finance-conference_gevers-plans-to-reboot-embattled-tezos-](https://www.swissinfo.ch/eng/crypto-finance-conference_gevers-plans-to-reboot-embattled-tezos-foundation-/43837206)
28 [foundation-/43837206](https://www.swissinfo.ch/eng/crypto-finance-conference_gevers-plans-to-reboot-embattled-tezos-foundation-/43837206).

10. Attached hereto as **Exhibit 8** is a true and correct copy of a Reuter’s online article entitled “Tezos director resigns, sowing more uncertainty at crypto startup,” published on December 12, 2017, <https://www.reuters.com/article/us-bitcoin-tezos-board/tezos-director-resigns-sowing-more-uncertainty-at-crypto-startup-idUSKBN1E62KN>.

11. Attached hereto as **Exhibit 9** is a true and correct copy of a Bitcoin.com online article entitled, “Senior Figures Clash as the Tezos ICO War Heats Up,” published on January 22, 2018, <https://news.bitcoin.com/senior-figures-clash-as-the-tezos-ico-war-heats-up/>.

12. Attached hereto as **Exhibit 10** is a true and correct of the community sourced Google Document created on January 15, 2018, entitled “Johann Gevers – Background and History (English), obtained on January 22, 2018 from https://docs.google.com/document/d/1RPLgYqULFQwzk3JZok8Q7OtkZYEyJNtfi24mXh_xlcU/edit.

13. Attached hereto as **Exhibit 11** is a true and correct of a Swissinfo online article entitled “Embattled start-up Monetas declared bankrupt,” published on December 12, 2017, https://www.swissinfo.ch/eng/court-ruling_embattled-start-up-monetas-declared-bankrupt/43746584.

14. Attached hereto as **Exhibit 12** is a true and correct of a document entitled “Monetas Investor Update November 2017,” obtained from <https://assets.documentcloud.org/documents/4326647/Monetas-Investor-Update-November-2017.pdf>.

I declare under penalty of perjury of the laws of the United States of America that the foregoing is true and correct. Executed on January 24, 2018, in Washington, D.C.

/s/ Donald J. Enright
Donald J. Enright

EXHIBIT 1

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Donald J. Enright
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January 22, 2018

VIA EMAIL

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Re: *Okusko v. Dynamic Ledger Solutions, Inc. et al*, 3:17-cv-6829-RS (N.D. Cal.)

Dear Counsel:

I write on behalf of Andrew Okusko, plaintiff in the above captioned action (“Plaintiff” in the “Action”). As you are aware, the Court denied the Application for Temporary Restraining Order (the “TRO Application”) that was filed in a related action, *Macdonald v. Dynamic Ledger Solutions, Inc. et al*, 3:17-cv-7095-RS (N.D. Cal.) (the “MacDonald Action”). A significant portion of the Court’s underlying reasoning in denying the TRO Application was based on the lack of a sufficient evidentiary record at the time. Due to (1) the agreement we were able to reach with defendants’ respective counsel regarding waivers of service, (2) the Court’s decision and reasoning in denying the TRO Application, and (3) the fact that the TRO Application contained substantially similar arguments at Plaintiff’s Motion for Preliminary Injunction (“PI Motion”) and was based on the same general public record, we determined that it was in the best interests of all parties involved to forego the Preliminary Injunction Hearing scheduled for January 11, 2018, and withdraw Plaintiff’s PI Motion without prejudice in favor of working toward establishing a more fully developed record.

While we are aware of the recent developments concerning the Motion for Expedited Discovery in the MacDonald Action, as well as our discussions with defendants’ respective counsel to date indicating a lack of interest in providing any discovery to Plaintiff, we are reaching out, pursuant to Fed. R. Civ. P. 37 and L.R. 37-1(a), to make a good faith effort to meet and confer regarding Plaintiff’s request for a limited, and narrowly tailored, production of documents relating to (1) an investigation into the personal jurisdiction defenses the Tezos Foundation (the “Foundation”) reserved in response to the TRO Application, and (2) safeguards over, and the status

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of, the Bitcoin (“BTC”) and Ether (“ETH,” together with BTC, the “ICO Proceeds”) raised in connection with the Tezos ICO.¹

Plaintiff proposes production of the following books, records, and documents,² within Defendants’ possession, on a rolling basis, beginning immediately, that will be completed by no later than February 22, 2018:

1. All communications and records, including without limitation, minutes of Dynamic Ledger Solutions, Inc.’s (“DLS”) and the Tezos Foundation’s Boards of Directors, and documents from and including June 1, 2017 to the production completion date (the “Relevant Time Period”), concerning the formation of Dynamic Ledger Solutions, Inc. and the Tezos Foundation.
2. All communications, records and documents from the Relevant Time Period concerning DLS’s capital and governance structure.
3. All communications, records and documents from the Relevant Time Period concerning the operation and management of the Foundation’s website, tezos.ch, including the identities of the persons who were responsible for the posting and curating of content on the Foundation’s website relating to the Tezos ICO.
4. All communications, records and documents from the Relevant Time Period concerning the Foundation’s employees and affiliates responsible for conducting the Tezos ICO, including as relates to the organizational and reporting structure for employees such as Ross Kenyon, the “Community Manager for the Tezos Foundation.”
5. All communications, records and documents from the Relevant Time Period concerning the Foundation’s governance structure, including as relates to the process and procedures for the nomination and appointment of the Foundation’s board members.
6. All communications, records and documents from the Relevant Time Period concerning the current status of the ICO Proceeds, security measures taken to safeguard the ICO Proceeds, and the decision-making process that led to such security measures, including as relates to the decision to grant Bitcoin Suisse AG co-signatory authority on transactions involving the ICO Proceeds.
7. All communications, records and documents from the Relevant Time Period concerning the liquidation, dissipation, transfer, or use of any of the ICO Proceeds, including such actions taken by DLS’ and the Foundation’s employees, board

¹ The term “Tezos ICO” as used herein references the Tezos Initial Coin Offering which took place from July 1, 2017 through July 14, 2017.

² The term “documents” as used herein shall be construed as broadly as possible under the Federal Rules of Civil Procedure, and includes any documentation held solely in electronic format.

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January 22, 2018

members, or owners, as well as the Breitmans, including their family members, friends, or affiliates.

8. All public digital currency wallet addresses – that were or are under the control of DLS or the Foundation, including any of their employees, board members, or owners, as well as addresses for such wallets that are or have been under the control of the Breitmans, including any of their family members, friends, or affiliates – that have held at any point during the Relevant Time Period any portion of the ICO Proceeds, or proceeds from, the sale, liquidation, dissipation, or transfer of the ICO Proceeds.
9. All Communications, records and documents concerning DLS' and the Foundation's activities, presence, assets or residence in the State of California.
10. Depositions of one DLS representative and one Foundation Board Member knowledgeable on the topics addressed in paragraphs 1 through 9. The requested depositions shall solely relate to the topics addressed in paragraphs 1 through 9.

The items requested in Paragraphs 1 through 5 are narrowly tailored to provide Plaintiff with sufficient information to conclusively resolve disputes regarding the Foundation's jurisdictional defenses. Similarly, the items requested in paragraphs 6 through 9 are narrowly tailored to provide Plaintiff with sufficient information to further investigate the various concerns surrounding the status and safekeeping of the ICO proceeds, as well as to determine whether seeking injunctive relief is in fact necessary to prevent irreparable harm to Plaintiff and the Proposed Class at this juncture.

Given the time sensitive nature of this matter, and our intention to receive the aforementioned list of proposed productions on a rolling-basis, we are open to negotiation with respect to the electronic formats in which these items are provided. If you will not agree to any of the foregoing and intend to oppose any efforts by Plaintiff Okusko to obtain expedited discovery, please inform us of your position in this regard at your earliest opportunity, so that we may seek relief from the Court. If we do not receive any response from you by 5 p.m. EST on January 24, 2018, we will treat such silence as indicating your unwillingness to provide the requested discovery.

We look forward to your response. Thank you.

Sincerely,

By:



Donald J. Enright, Esq.

EXHIBIT 2

New York
Northern California
Washington DC
São Paulo
London

Paris
Madrid
Tokyo
Beijing
Hong Kong



Neal A. Potischman

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January 24, 2018

Re: Okusko v. Dynamic Ledger Solutions, Inc., 3:17-cv-6829-RS (N.D. Cal.)

Donald J. Enright
Levi & Korsinsky LLP
1101 30th Street NW, Suite 115
Washington, DC 20007

Dear Don:

We write on behalf of the Tezos Foundation (the "Foundation") in response to your letter dated January 22, 2018, in which you requested discovery of the defendants in the above-referenced action.

Although your letter references the Motion for Expedited Discovery that was filed in the related action of *MacDonald v. Dynamic Ledger Solutions, Inc.*, 3:17-cv-7095-RS (N.D. Cal.), it does not address in any way the arguments raised by the Foundation in opposition to that motion [ECF No. 63]. The arguments in the Foundation's opposition brief apply equally to any discovery in this and the other federal securities actions prior to the resolution of a motion to dismiss by the Foundation.

If anything, the reasons why the Court should deny the motion in *MacDonald* apply with even greater force here. Your letter does not suggest that you are coordinating with the plaintiffs in the other related cases pending before Judge Seeborg, continuing an unfortunate trend toward piecemeal and inefficient litigation that needlessly burdens the Court and the defendants. And as little sense as it makes to permit a single state law plaintiff like MacDonald to pursue premature discovery, it makes even less sense to permit a single federal securities plaintiff to do so before the Court has selected a lead plaintiff—as this Court will do in only a matter of weeks. Given that it is far from clear at this stage that you or your client will have any ongoing role in the litigation of this case, there is no basis upon which to permit your client to take such actions prior to appointment of leads.

In that respect, there is an additional, dispositive reason—above and beyond the reasons set forth in the Foundation's opposition to the *MacDonald* motion—why discovery in the federal securities cases would be inappropriate and unlawful at this stage: As you are aware, the Foundation intends to move to dismiss the consolidated complaint following the appointment of lead plaintiff and counsel, and discovery should accordingly be stayed pursuant to the Private Securities Litigation Reform Act. See 15 U.S.C. §§ 77z-1(b)(1), 78u-4(b)(3)(B); *In re Am. Funds*

Donald J. Enright

2

January 24, 2018

Sec. Litig., 493 F. Supp. 2d 1103, 1105 (C.D. Cal. 2007) (the PSLRA's discovery stay applies "from the filing of the case until such time that 'the court has sustained the legal sufficiency of the complaint'" (quoting *SG Cowen Sec. Corp. v. U.S. Dist. Ct. for N. Dist. of Cal.*, 189 F.3d 909, 911 (9th Cir. 1999))). Accordingly, the mandatory statutory discovery stay is and will remain in effect for the foreseeable future. Your client's requests are subject to that stay, just as would be requests made by any of the other federal plaintiffs. There is no basis upon which to disregard Congress's clear command here, and your client has articulated none.

Very truly yours,



Neal A. Potischman

EXHIBIT 3



Flux Podcast

[Follow](#)

Jul 12, 2017 · 27 min read

14: Kathleen Breitman—Tezos Unleashed

[Listen to the episode on iTunes.](#)



Kathleen Breitman co-founder and CEO of Tezos

AMLG: Welcome back to the latest episode of Flux. I'm excited for today's episode. We have Kathleen Breitman, co-founder and CEO of @tezos Tezos is many things but fundamentally it's a blockchain-based smart contracts platform with built-in governance mechanisms, which allows for formal coordination and upgrades to the protocol. It's a powerful idea which we're going to unpack more in this conversation. But the key thing is that there is on-chain governance capability and a functional scripting language. These are desirable traits that people now argue have been missing from other protocols such as Ethereum, which is a leading contender. I'd been sent several emails about Tezos and,

being a terrible email shirker, didn't follow up on them. But the fates brought Kathleen and I together a few weeks ago at a conference in England. We were standing outside, it was freezing and my fingers were falling off when Jack Herrick (@jackh) introduced us. We extricated ourselves from the conference, found one of those portable office pods and shut ourselves in there to chat crypto.



We both spent time at the Wall Street Journal under Mary Kissel (shout out to @marykissel if she's listening) and Bridgewater the mega hedge fund in the woods of Connecticut. No need to read out Kathleen's extensive bio here but she's crammed an impressive amount in the last five years since graduating from Cornell. She was a consultant at Accenture and also worked on strategy for R3, the consortium of 40+ banks focused on blockchain tech. She left there in 2016 to pursue Tezos. So that's a long-winded introduction to Kathleen. I'm especially excited to have her here today because we're bang in the middle of the Tezos ICO or fundraiser. So I will include a disclaimer before we begin:

The ensuing conversation is not a recommendation that any listener participate in the fundraise. Do your own research. You should never invest in something you don't understand.

But I hope you learn something from this conversation nevertheless. Welcome Kathleen.

KB: Thank you Alice.

AMLG: I guess we should start at the beginning and explain the origins of Tezos. You're the CEO and co-founder along with your

husband Arthur. Husband-wife team and he's the CTO, the architect. You told me you guys met at a crypto-anarchist meetup in New York in 2010. What is the story there and what kind of pickup lines does one hear at an anarchist meetup?

KB: It all starts off in a in a bar near NYU in 2010. I was de-briefing with my debate team. We had just lost mightily to a better school in a debate. There was a party going on at the bar and I was 20 years old and was very tempted at this party by the free-flowing beer, a hot commodity for 20 year olds. I met this guy named Tennyson. Tennyson and I got along just fine and he insisted I come with him to a lunch the next day. He left out a lot of details. The deal-breaker probably would been that it was crypto anarchist lunch—minor detail. The theme of the lunch was not disclosed.



Arthur and Kathleen Breitman

So I went in and this guy made a bee-line at me. I was a little weirded out but Tennyson had told Arthur all about me prior to this and I guess he thought that it would be a good match. So shout out to Tennyson. He said “hello, nice to meet you, welcome to the media.” He was

friendly and gregarious and tried to figure out all the things I would like and not like. He name-dropped that he knew Milton Friedman's grandson when I mentioned I liked Milton Friedman. We just kept on talking and I really enjoyed speaking to him and he seemed smart and nice and funny. I meandered through the rest of my Saturday the way I would normally. Then he texted me later and I texted him and we wound up meeting at another bar. Then we wound up going to dinner —

AMLG: And you covered all of Milton Friedman?

KB: Oh yes it was a rich intellectual history of the Friedmans. Basically we just started talking and we haven't stopped.

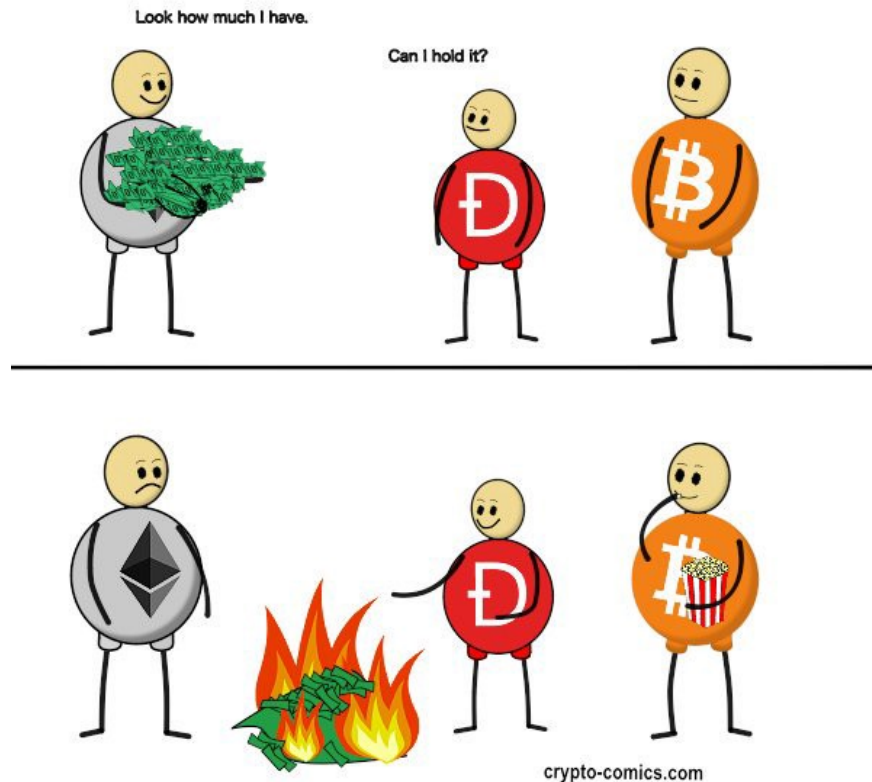
AMLG: And Arthur was a quant right. He was at some high frequency trading shops, shops being Goldman.

KB: Yes. He studied math and computer science and physics over in France. Then he wanted to work in finance. France isn't a great place to make a living if you're under the age of like 50. So instead of going to London which he didn't really care for he decided to make his bets on New York. So he went to NYU where he studied under Nasseem Taleb and the financial engineering group. Then he became a quant. So he was doing high frequency trading and market making for foreign ETFs in particular.

AMLG: You've said that Arthur is the brains and you're at the brawn. What do you mean by that?

KB: Arthur is really the technical architect, he came up with the structure. Tezos has gone in and out of fashion—the ideas—over the last three or four years. People really took interest in it last year when the DAO occurred. This was a fantastic heist of sorts. A digital heist.

ALMG: Could you explain what happened there, with the DAO hack?



In April 2016 14% of all Ether (\$150m at the time) was deposited into the DAO, a smart contract (computer program) running on Ethereum. A few bad lines of code in the contract enabled a hacker to steal \$50m in June 2016. The community ultimately decided to resolve the hack by hard forking Ethereum, which resulted in two coins, ETH and ETC

KB: There was a project that aspired to be a decentralized venture capital organization on the Ethereum blockchain called the DAO. They had about \$150 million dollars worth of Ether pledged to the contract. This was an ambitious undertaking and the people who created the DAO didn't do a super thorough job of security audits and wondering if they could actually mobilize this vision they had created. So a clever hacker gave himself some of the Ether out of this contract to the tune of \$50 million dollars out of the \$150 million.

AMLG: That's a good steal.

KB: Not bad if you can get it. So this forced a conversation in the Ethereum community as to whether or not there ought to be a do over. Call it a mulligan, if you will, on this whole DAO fiasco. That led to a split in the chain of Ethereum, which is how we got two versions: Ethereum Classic which is favored by some people in the community because it didn't unwind this transaction—it forced people to deal with

the consequences of this heist. And then regular Ethereum or Ethereum as we know it today, which basically called a do over. This was ultimately a governance question and the whole nexus of Tezos is—governance is very much a part of blockchains, we can't divorce the math and computer science aspect from the overall governing philosophy. So this forced a conversation.

AMLG: So when there's a fork and a community has to vote on a direction there's basically an informal process that's determined by perceptions, perception of which fork seems most authoritative or valid or which constituents shout the loudest which is what we saw after the DAO hack. This is the problem you're trying to solve with Tezos—you're trying to formalize the process of how one upgrades a protocol?

Tezos: A Self-Amending Crypto-Ledger Position Paper

L.M Goodman

August 3, 2014

“Laissez faire les propriétaires.”

— Pierre-Joseph Proudhon

Abstract

The popularization of Bitcoin, a decentralized crypto-currency has inspired the production of several alternative, or “alt”, currencies. Ethereum, CryptoNote, and Zerocash all represent unique contributions to the crypto-currency space. Although most alt currencies harbor their own source of innovation, they have no means of adopting the innovations of other currencies which may succeed them. We aim to remedy the potential for atrophied evolution in the crypto-currency space by presenting Tezos, a generic and self-amending crypto-ledger.

Tezos can instantiate any blockchain based protocol. Its seed protocol specifies a procedure for stakeholders to approve amendments to the protocol, *including* amendments to the amendment procedure itself. Upgrades to Tezos are staged through a testing environment to allow stakeholders to recall potentially problematic amendments.

The philosophy of Tezos is inspired by Peter Suber’s Nomic[1], a game built around a fully introspective set of rules.

In this paper, we hope to elucidate the potential benefits of Tezos, our choice to implement as a proof-of-stake system, and our choice to write it in OCaml.

Tezos’ initial position paper was released in 2014. Read the full paper here

KB: So the Tezos position paper examines the potential threats to bitcoin. Ethereum was not factored into the analysis in the initial white paper or position paper, but yes essentially the idea is that ultimately these systems are very fragile in the sense that if you have undue influence over the protocol on this soft level you can render different results at the protocol level.

You see this with bitcoin. You have core developers who have personalities and it kind of becomes a cult of personality over who you’re with and people taking sides on Twitter. But there’s no meaningful way to enact change. In the sense that ultimately you’re at the behest of miners in China over which version of the protocol is actually deployed.

AMLG: So your mechanism allows blockchain to change the blockchain itself. Very meta, turtles all the way down there. Your central idea was—you saw this fallacy underlying bitcoin, that code can solve everything. Or as Arthur puts it, nothing bad can happen to bitcoin because MATH. But really blockchains are embedded in society, society can be compromised. So this is what you're getting at with Tezos right. The question I have that follows—under the current construction isn't there a risk that the network favors the people who are more technical, the more technical stakeholders who are knowledgeable about anything that you would vote to change? What do you do for the non technically-savvy tokenholders?

Tezos is a decentralized blockchain that governs itself by establishing a true digital commonwealth.

What's more, Tezos was built to facilitate formal verification, a technique which boosts the security of the most sensitive or financially weighted smart contracts by mathematically proving the correctness of the code governing transactions.

The Tezos blockchain will underpin secure, decentralized applications and smart contracts while avoiding some of the political and technological problems which earlier efforts such as Bitcoin and Ethereum have faced. Tezos was built on the belief that a deep commitment to security, formal verification, and governance that gives stakeholders the power to make protocol decisions is the formula for earning trust and generating widespread adoption on the blockchain.

[Read more in the Tezos Overview](#)

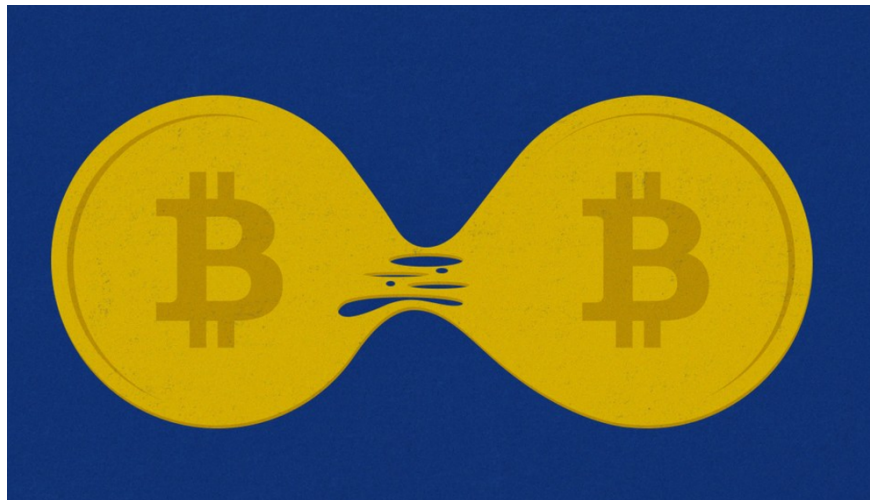
KB: That's a good question. We have what's called delegated proof-of-stake in our system. Essentially what this means is that everyone who owns a token can become a validator in the network. Or they can actually assign that right to someone else and that person can vote on their behalf. So there is going to be some element of politicking, but at least it'll be something where people can express that in a much more legitimate way than just saying that that guy's right because —

AMLG: So sort of a proxy vote.

KB: It's a proxy vote yes. Some people call it liquid democracy.

AMLG: But you can never really remove the element of humans influencing other humans' ideas right, it's just the voting piece?

KB: Most definitely. That's an important caveat. That's why it's an experimental piece of technology. Ultimately this is still going by people's judgment, which is of course always subject to some sort of fallacy. The main innovation with Tezos is giving a way to air legitimacy on the chain. Right now it's sinuous as to how decisions are made. By making things more explicit we hope that we can get more useful conversations going.



There has been a long-standing debate over how to increase the bitcoin block size. Under the current 1MB block capacity, network congestion is resulting in higher transaction times and processing fees. BIP-148 and SegWit2 form two of the top scaling proposals, and are set to update the network on August 1st, dubbed Bitcoin Independence Day. There is a possibility of a chain split, an event that would result in two separate bitcoins. [More info]

AMLG: It's super relevant now since we're seeing this play out with massive battles over block size in bitcoin, whether to go with BIP-148 or SegWit2. Maybe you could just fit Tezos into the landscape for the listeners. You've said previously that the Bitcoin model is so decentralized that it's beholden to these populist campaigns and there's this governance deadlock. Then on the other side, Ethereum is moving very fast but is very centralized because the Foundation has a lot of clout over the protocol. Where do you fit on that spectrum?

KB: In some ways we're choosing a middle ground between the two and in other ways we're taking a radically different approach. So a little about how Tezos governance works in its first iteration: what we're going to do is a two-phased vote. We're taking our cues from the Republic of Venice and we're doing affirmative voting on the first iteration. So what would you like to test. So say six people have proposed these things and they all have different tradeoffs, what we want to actually test and see if it's useful for the protocol. What's the proposition here.

AMLG: Then that proposition has to pass a threshold to get the main vote?

KB: Yes after testing. We'll spin up a testnet. It will say for example, well you said that this preserves privacy but we actually found that it does not.

AMLG: What happens if you don't get people over a certain level? Some of the DAO propositions won only 5 or 6% the votes.

KB: One way of approaching that is delegation—making it easy to not have to think critically about every proposal. If you take a vacation you shouldn't have to worry too much about the network.

AMLG: Right and it's very easy to bash every option down.

KB: But we also adjust the quorum every time. For instance maybe people just want two people making all the decisions. That's a weird outcome certainly but it's possible.

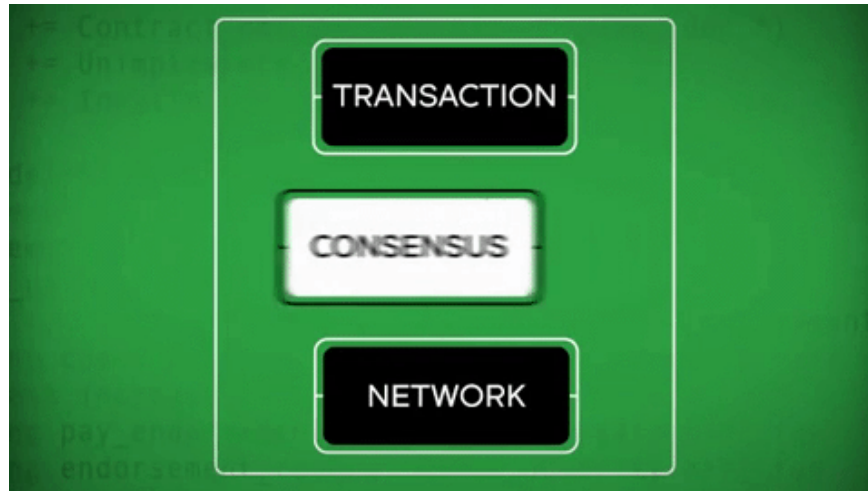
AMLG: Is it possible that Ethereum could change its governance structure?

KB: They could introduce different roles for people. They could introduce something like a representative democracy. But the innovation with Tezos is that we can actually iterate on our governance model. We can adjust it at the meta level. That's something you have to bake into the protocol at the base layer.

AMLG: They really can't bake it in at this stage—it's done?

KB: I think it would be remarkably difficult. I'm not going to underestimate Vitalik of course. But with Tezos we don't just have this governance layer, we also have a way of pushing the upgrades out to everyone, it's one and the same, making it a very powerful mechanism. Whereas bitcoin and Ethereum still have manual processes for updating their chain.

AMLG: You've said yours is modular, with the three layers swappable—you can swap things in and out?



Tezos distinguishes three protocols: the network, transaction and consensus protocols. The transaction and consensus layers are implemented in an isolated module plugged into a generic network shell responsible for maintaining the blockchain.

KB: Yes. It's called a hot swap on the protocol.

AMLG: Hot swap on the protocol. Well Vitalik is a brilliant guy, but I did love the fact that your smart contract language is Michelson—

KB: *Michelson*. At least that's how French developers pronounce it. I actually don't know, I mispronounce everything—

AMLG: How's your blockchain French?

KB: Better than my blockchain English.

AMLG: But so it's a reference to the Michelson-Morley experiment, which disproved Aether right? Not to be confused with Ether. That's hilarious. I love that you guys throw those little things in.

KB: It's the only cheeky thing we've done.

AMLG: The other interesting thing is that you've built in incentives for developers—bounties and invoice potential on the chain.

KB: Yes. So I think a big failing of open source technology nowadays is that you basically have corporates sponsoring it because they use it in some capacity and that's kind of how these things are governed. But outside of a group of enthusiasts and people who have a vested interest in its success you don't find too many people actively trying to contribute just for the sake of it or for pecuniary gain. We decided early on that that would be a massive inhibitor to innovation in these blockchain protocols. Because at the beginning at least they seem to appeal to ideologues—which mind you is fine—but I like the idea of having someone from a university who's been studying something on the periphery and incentivizing them to contribute to the protocol, even if they don't find the ideological aspects of it appetizing.

AMLG: For the mercenary engineers out there.

KB: There are many of them.

AMLG: Really you guys have been working on this for a while but it feels like you're just making your entrance onto the scene more. In the grand scheme of course it's still very early, but surely many of the folks interested in the space have already taken stakes in other competing ledgers? How have you navigated these existing vested interests and converted people to the Tezzie religion? I know you've said that community building has turned out to be one of the hardest parts.

KB: It's genuinely really tough. I think that's part of the reason we did an uncapped crowd sale. When we were thinking of the best way to get Tezos backing from people, it wasn't obvious to us how to do it. But one way is to make sure that everyone has the ability to take part in the ecosystem. People having an interest in you and contributing to your fundraiser is a way to get them interested in the technology.

AMLG: You really opened it up broadly with the fundraiser.

KB: Absolutely.

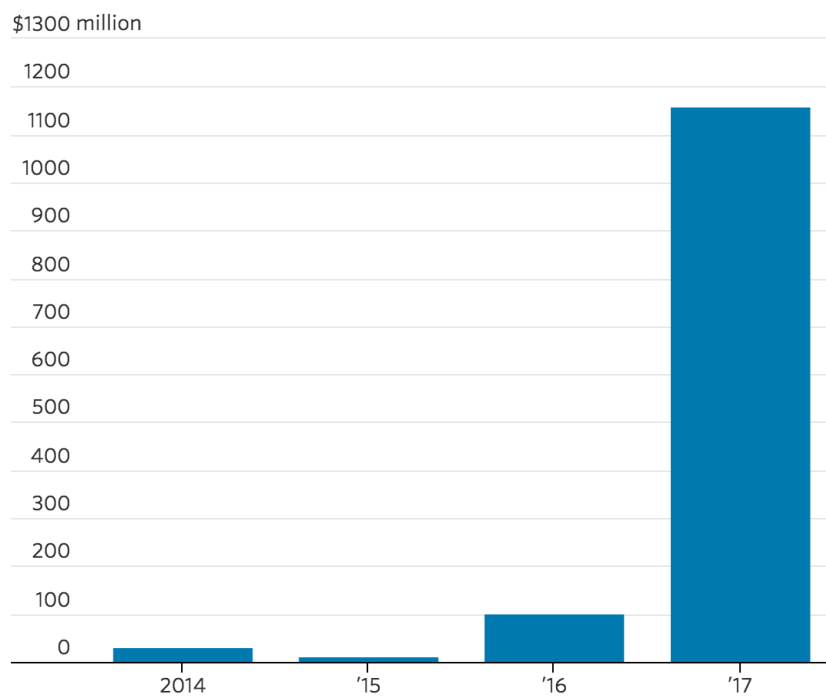
AMLG: Should we not be saying ICO?

KB: I mean it is a fundraiser. People call it an ICO. But it is a fundraiser. I was thinking of making tote bags like PBS tote bags.

AMLG: Because people are donating to a nonprofit.

KB: Exactly. And the non-profit is recommending an allocation of tokens.

Proceeds of initial coin offerings, by year



Source: Smith & Crown

Roughly ~\$1.3b billion cumulative dollars have gone into ICOs in 2017, with over \$600 million in June alone. [For more data see Smith + Crown.]

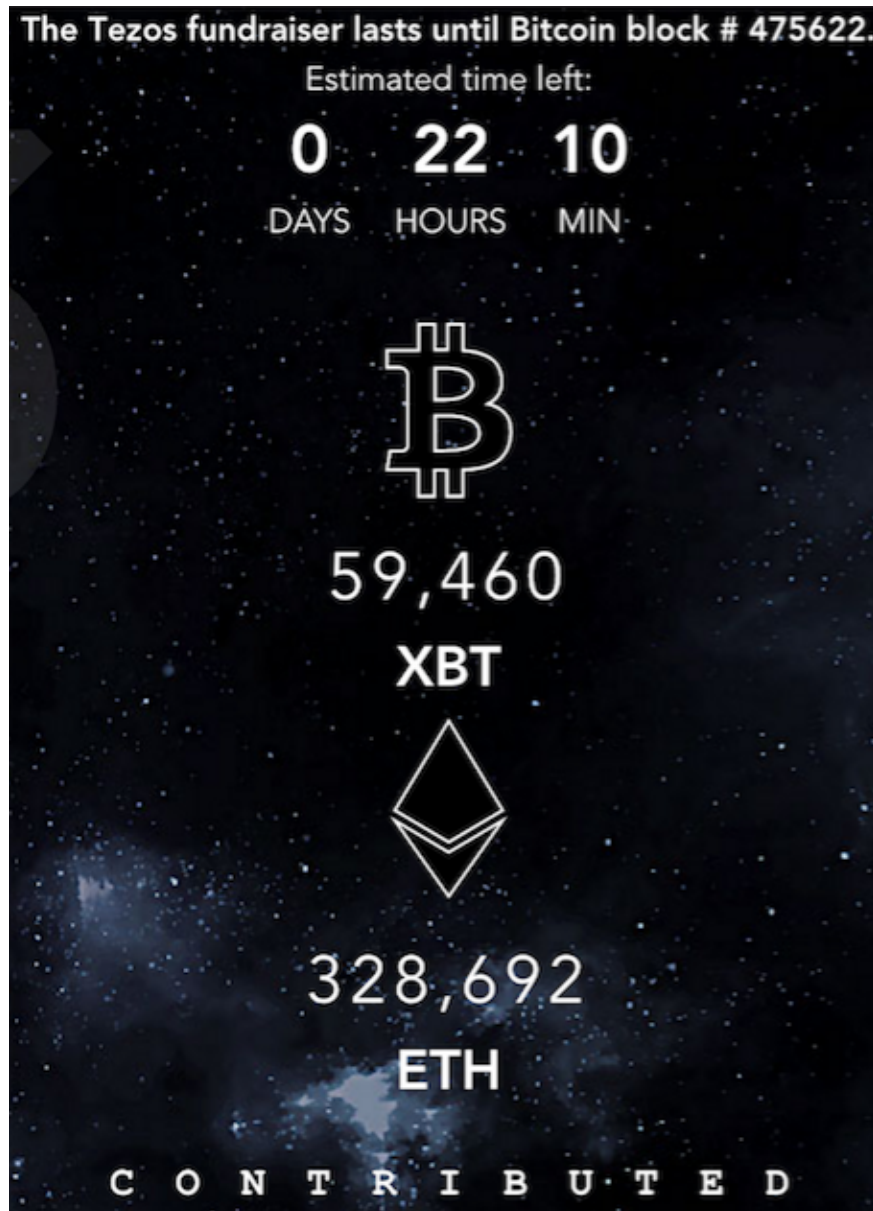
AMLG: Let's step back for a second and lay out the landscape for people who haven't seen all the headlines on ICOs. What's a quick explainer on an initial coin offering and what have you done so far.

KB: Basically there are a number of new projects in this space and one way to distribute the token is to simply receive donations to their blockchain and then in return you get the token. And typically they'll price it at a certain number of Bitcoin or ethereum and deploy it right

away. So it's an alternative financing structure for some projects and for some projects it's a distribution mechanism

AMLG: And the tokens are not securities.

KB: I mean in some cases they could be right, like if you have a claim on a line of revenue. Arguably that's a security. But with Tezos you're basically getting computing power on a decentralized blockchain.



As of Wednesday July 12th, approximately 59k Bitcoin and 328k Ether (~ \$200m USD) had been contributed to the Tezos crowdsale

AMLG: So in your case they're not. As of today it's Thursday July 6th 2:30pm, about 51,000 bitcoin and 28,0000 ethereum have been contributed with seven days to go. It's so exciting. It's like a reality show.

Let's get into some of the questions that have been raised—we ought to cover a few. I admit when I first heard some of the facts about Tezos I was skeptical. It's easy to fall into cynicism. There's all these keyboard warriors on Reddit throwing out one liners. But the papers you've put out actually give clear and well-thought out answers to some of these mainstream public questions. I want to get into a few of them. The first thing I want to ask is about the pushback over the fact that the fundraiser is uncapped. Uncapped meaning there's no upper limit on the funds you can raise. The limit is just the time, the window in which you're raising—two weeks. In the Tezos overview you state the reason for this which I will read here:

"There is no cap on the amount of contributions that will be accepted. This is done in order to ensure that participation is not limited only to insiders or the fast fingered. The Tezos team believes that an uncapped fundraiser will promote a widespread distribution of the tokens a necessary prerequisite to launching a robust network."

So that inclusive argument instinctively makes sense to me. But of course the problem with democracy is democracy. The system itself. Crowds don't always get things right and in this case your crowd may be speculators. There's been a lot of speculative buying in China for instance. Do you worry about who the tokenholders are and whether their incentives are aligned with Tezos?

KB: It's tough. We didn't do much marketing outside of the U.S. Well rather Arthur and I are based in the U.S. and we talk about the technology in mainstream U.S. press outlets and sometimes it's picked up in Asian outlets. We mostly have just been evangelizing about the technology. But certainly there are a lot of people who are interested in the more speculative aspects. I think there's a lot of fervor and froth in

the marketplace right now. That does make it a bit odd to launch something that's more community-based on some level when there's a lot of people who are just profit-seeking. I suppose I do worry but ultimately we're appealing to people's rational self-interest. So at the end of the day I hope that the proper incentives will align themselves.

AMLG: And that the tokens end up in the right hands, with people who align with your values?

KB: Yes.

AMLG: Let's talk about the structure, which is the other question people ask, and fiduciary liabilities. You've laid out the Tezos Foundation's goal is to promote the use of the Tezos protocol. So participants in the crowd sale donate to the Swiss Foundation which in turn provides the contributors with a token allocation. You've said the Foundation will spend on conferences, marketing, funding developers. If your director decided he wanted to buy an island in the Caribbean who votes on that? How does the corporate structure work?

3.3 THE TEZOS FOUNDATION

Tezos' founders thought it that it would be beneficial for the the Tezos Network if a non-profit foundation could guide its early steps and complement the decentralized nature of its governance model. The Tezos Foundation is an independent Swiss entity whose goal is to promote and foster the use of the Tezos blockchain, its technology and its ongoing development.

Further information on the Foundation in the Tezos Overview

KB: That's a good question. Part of the reason this is not a security is because you have no claim on the revenue and that includes the revenue from the fundraiser. The Tezos Foundation is at the behest of

the Swiss nonprofit authority, which has a clear directive to adhere to whatever the Tezos foundation sets out to do. So if Johann wants to buy a Caribbean island where there's a ton of Ocaml programmers that's kosher if Johann wants —

AMLG: So if they program better there it's OK—as long as productivity goes up.

KB: Ha yes. If Johann wants to buy a Caribbean island because he wants to run it on the Tezos blockchain in some way, I guess that falls in line with it. But if he wants to do it because—well he's quite pale so I don't know if he wants to go tanning—but if he wants to go on vacation and buy an island that would not be OK. You could theoretically hold him accountable under Swiss law. And I think that the Foundation ought to survey the community for major decisions to reflect their will better. But there's no explicit voting mechanism on it. Part of the reason that's not such a bad thing is that anyone can contribute to the protocol. There's the Foundation which has veto power for one year, but other than that they don't have any favored status in the protocol.

AMLG: It's amazing how you're paving the way and there doesn't seem to be any regulatory framework for what you're doing. What was your thinking on going to Switzerland? I know that the U.S. money transmission laws are nuts on a state by state basis, it's so complex here. But it sounds like it's complex there as well. What are your thoughts on how the regulatory framework will evolve?



Johann Gevers on the roof of his headquarters in Zug, Switzerland. Johann identified Switzerland as the ideal place for building decentralized technologies given its "citizen-controlled political system, its centuries-old culture of individual rights, its neutrality, stability, and business-friendly environment." In January 2017 he established the Crypto Valley Association to accelerate the development of the ecosystem. [REUTERS/Arnd Wiegmann.]

KB: Well Johann is the founder of the Crypto Valley in Zug, which is a Canton in Zurich. It has a ton of Bitcoin companies it has a ton of watching companies located there and including Ethereum foundation.

AMLG: So I guess they paved the way. Do you think others will follow—do you think there's a best practice being set here?

KB: I think so. There are other a few other places—Gnosis which is an ethereum prediction market token I think they had their token sale out of Gibraltar. Estonia wants to do work around this. I think the Ethereum foundation itself is actually in Singapore right now. So there's all sorts of accommodating usually small nations that are willing to work with you.



AMLG: You gotta love the small nations. So the other major thing that's gone on during the fundraiser which you've had to deal with is serious attacks. I've seen phishing attempts all over the Internet, fake accounts on Twitter, Reddit. It seems like you've learned a lot about DDOS resilience and you've probably a lot of sleepless nights. How have you managed key security during this process?

KB: Oh geez. It's a good question. We have some very clever engineers is the short answer. The long answer is that my husband is a hobbyist infosec researcher so he thought of an elaborate way of securing the site against DDOS measures. He worked with friends at AWS and Cloudflare who were willing to give us some of their time and services. We have a pretty sophisticated operation going on right now. We'll be releasing a white paper that goes over what we did and we will be licensing out the software. Apparently it was quite an undertaking. The long and short of it is that it was a lot of work. With the phishing honestly it was about communicating to the group that there would be no pre-sale deals and being hardasses when people were asking.

AMLG: What were the main channels Twitter or Reddit or where did you —

KB: We made the mistake of creating a slack channel, which was terrible because you can DM people without any permissioning on who can DM who. So there were people private messaging and trying to convince folks that they were on the inside.

AMLG: Do you have any idea who these people are?



Professor Emin Gün Sirer's research spans operating systems, networking, and distributed systems. He is a Co-Director of the Initiative for Cryptocurrencies and Contracts (IC3) at Cornell. Emin has made contributed work to the Bitcoin community on vaults and selfish mining techniques.

KB: It's funny because three weeks before the sale someone masqueraded as Emin Gün Sirer who's one of our advisors, a professor at Cornell. He was pretending to be someone who could get someone in on the sale. This guy used the photo that Emin uses on Twitter and his name and likeness. But the one snag in his plan was that he registered with his main email. So I was immediately able to be like hey Gün, this guy is pretending to be you.

AMLG: Not a good infosec move really. I at least use my hotmail account when I'm registering to hack things

KB: That's very good of you. Now I know. But yes you just get very unsophisticated people, you get both idiots and then you get folks who go out in full force. We had a group that was making accounts that said Community Manager with a woman's name every 15 minutes and had to shut it down manually. It was really bad.



What I learned from this whole process is that Slack is terrible for public groups. It's terrible on a few levels. It's terrible because the DM aspect you don't have any control over. You don't have granular permissions as to who can control what. And you don't have threading of conversations. What broke Arthur and me in the first three or four months after we announced Tezos was going to be released was people who kept asking the same questions over and over again. It drove us crazy.

AMLG: Like what?

KB: When ICO? What cap? Why no cap? People would get irritated that the questions are repeated. People would get irritated that Arthur and I would not take the time to go into thoughtful answers every time.

AMLG: You could just point them to the answer.

KB: You could yes but they want to hear from you. Just to be sure. That grated on us. Whereas with Reddit people like to yell and they like —

AMLG: I only observe on Reddit. I don't dare say anything because I get smacked down quickly.

KB: The only way to win is not to play. But at least with Reddit you can reference threads and iterate on that so you don't get the same questions over and over again. That's really a big thing with Slack.

AMLG: Why is it there so much nastiness in the blockchain crypto world—is it just smart people with opinions strongly held? Or is it monetary reasons?

KB: I think people are just naturally inclined towards taking sides, you see this in politics too. “I’m team Ethereum. Ethereum is going up 4,000X why don’t you like ethereum, why do you think you’re better than Ethereum?” Right.

AMLG: But actually it seems like you cooperate with a lot of the other folks in the space. I mean Zcash, Zooko—he’s one of your advisors right?

KB: Oh yes Zooko. In general we have a good working relationship with most of the people in the space that we admire. It’s really folks who can’t evaluate our technology who get really upset with us and start to caterwaul. You can’t let that get to you. Honestly if you look back at Ethereum people were much more vicious. So we got off pretty easy on the vilification front. Most of the attacks have been very personal. But I’ve been on the internet since I was 12. And I worked at Bridgewater so I have thick skin.

AMLG: All the character building you needed.

KB: Exactly. You’ll have to come at me a little harder if you want to hurt my feelings.

AMLG: How do you cope with the stress, the two of you. I guess you’re both moving around internationally and busy, but you are in a relationship with each other —

KB: I mean, it’s compartmentalizing. Sometimes it’s “OK right now you’re my business partner and I’m telling you that this is a terrible idea.” And sometimes it’s “I know you’re stressed out. We should really talk about this. But let’s first see a movie or watch bad TV.” I think we just know each other really well.

AMLG: What is your go-to bad TV?

KB: The new like 24 spin off, Designated Survivor. It’s just so awful.

AMLG: Your brain doesn’t even need to be switched on.

KB: It’s just its so stupid. It’s really fantastic because it’s like conspiracy theory after conspiracy theory and you can’t quite trace it.

AMLG: And your parents now know that you're doing this right? I know you were "a financial software engineer" for a while.

KB: Yeah I was doing "accounting software." Now they're on to me. My mother unfortunately has learned what Reddit is like. But she still loves me which is great. She doesn't seem to be assuaged by the arguments that I'm an incompetent boob or just terrible. So I've got that going. My mother still loves me.

AMLG: I'm curious to zoom out for a minute on your self-identification as an An-Cap. What exactly is an anarchist capitalist, in rough terms?

KB: In general its someone who believes that markets do a better job of distributing goods than the government. They tend to have a preference against government aggression in any form.

The Crypto Anarchist Manifesto

Timothy C. May

1988

A specter is haunting the modern world, the specter of crypto anarchy.

Computer technology is on the verge of providing the ability for individuals and groups to communicate and interact with each other in a totally anonymous manner. Two persons may exchange messages, conduct business, and negotiate electronic contracts without ever knowing the True Name, or legal identity, of the other. Interactions over networks will be untraceable, via extensive re- routing of encrypted packets and tamper-proof boxes which implement cryptographic protocols with nearly perfect assurance against any tampering. Reputations will be of central importance, far more important in dealings than even the credit ratings of today. These developments will alter completely the nature of government regulation, the ability to tax and control economic interactions, the ability to keep information secret, and will even alter the nature of trust and reputation.

The technology for this revolution--and it surely will be both a social and economic revolution--has existed in theory for the past decade. The methods are based upon public-key encryption, zero-knowledge interactive proof systems, and various software protocols for interaction, authentication, and verification. The focus has until now been on academic conferences in Europe and the U.S., conferences monitored closely by the National Security Agency. But only recently have computer networks and personal computers attained sufficient speed to make the ideas practically realizable. And the next ten years will bring enough additional speed to make the ideas economically feasible and essentially unstoppable. High-speed networks, ISDN, tamper-proof boxes, smart cards, satellites, Ku-band transmitters, multi-MIPS personal computers, and encryption chips now under development will be some of the enabling technologies.

The State will of course try to slow or halt the spread of this technology, citing national security concerns, use of the technology by drug dealers and tax evaders, and fears of societal disintegration. Many of these concerns will be valid; crypto anarchy will allow national secrets to be trade freely and will allow illicit and stolen materials to be traded. An anonymous computerized market will even make possible abhorrent markets for assassinations and extortion. Various criminal and foreign elements will be active users of CryptoNet. But this will not halt the spread of crypto anarchy.

Just as the technology of printing altered and reduced the power of medieval guilds and the social power structure, so too will cryptologic methods fundamentally alter the nature of corporations and of government interference in economic transactions. Combined with emerging information markets, crypto anarchy will create a liquid market for any and all material which can be put into words and pictures. And just as a seemingly minor invention like barbed wire made possible the fencing-off of vast ranches and farms, thus altering forever the concepts of land and property rights in the frontier West, so too will the seemingly minor discovery out of an arcane branch of mathematics come to be the wire clippers which dismantle the barbed wire around intellectual property.

Arise, you have nothing to lose but your barbed wire fences!

Timothy May's 1988 Manifesto. May was an early engineer at Intel and a founding member of the Cypherpunk mailing list started in 1992.

AMLG: You put at the top of your white paper “*laissez faire les proprietaires*” which sums up a lot of this. You’ve said the whole cypherpunk movement is about using the Internet to free people both informationally but also financially. It’s interesting to think about how Tezos and the work you’ve been doing builds upon decades of thinking. Privacy advocates have been organizing in Silicon Valley since the 80s—guys like David Chaum, Timothy May and that cypherpunk mailing list. Which then evolved into the cryptography mailing list where you got started. I have a quote from May’s manifesto which I thought would be fun to read:

“Just as the technology of printing altered and reduce the power of medieval guilds and the social power structure. So too will cryptologic methods fundamentally alter the nature of corporations and of government interference in economic transactions.”

EXHIBIT 4

Davos

The Trump Effect

Politics

North Korea

Technology

Myanmar

Future Of Money

#BUSINESS NEWS

OCTOBER 18, 2017 / 6:06 PM / 3 MONTHS AGO

Special Report: Backroom battle imperils \$230 million cryptocurrency venture

Anna Irrera, Steve Stecklow, Brenna Hughes Neghaiwi



ZUG, Switzerland/NEW YORK (Reuters) - Just three months ago, a tech project called Tezos raised \$232 million online in a wildly successful “initial coin offering,” in which new digital currency is parceled out to buyers. At the time, it was the most money ever raised from the public in the white-hot cryptocurrency sector.



Photo illustration shows detail of Tezos website, October 10, 2017. Picture taken October 10, 2017. REUTERS/Dado Ruvic/Illustration

But the venture is now in danger of falling apart because of a battle for control playing out behind the scenes, Reuters has learned.

The acrimonious dispute pits Tezos' two young founders – Arthur and Kathleen Breitman – against Johann Gevers, the president of a Swiss foundation the couple helped establish to handle the coin offering and promote and develop the Tezos computer network.

Under Swiss law, the foundation is supposed to be independent. It holds all of the funds raised, which have mushroomed to more than \$400 million in value because the contributions were made in two cryptocurrencies – bitcoin and ether – that have appreciated sharply. But the Breitmans, who still control the Tezos source code through a Delaware company, are seeking to oust the head of the foundation.

An attorney for the Breitmans sent a 46-page letter on Sunday to the two other members of the foundation's three-person board, calling for Gevers' prompt removal and seeking to give the couple a "substantial role" in a new structure that would limit the foundation's responsibilities. The document accuses Gevers of "self-dealing, self-promotion and conflicts of interest." According to Gevers, the two board members later suggested via email that he step aside for a month while they investigate.

Gevers told Reuters he is not stepping down. "As Arthur has done to others before me," Gevers said, "this is attempted character assassination. It's a long laundry list of misleading statements and outright lies." He said the other two board members "are attempting an illegal coup."

The Breitmans have been trying to control the foundation as if it were their own private entity, Gevers said, by bypassing the foundation's legal structure and interfering with management and operations. This has resulted in costly delays in developing and launching the Tezos network and new currency, he said.

"They're unnecessarily putting the project at risk," he said.

In a written statement sent to Reuters, the Breitmans reiterated their accusations against Gevers and said they acted “in accordance with all applicable laws and regulations.” They said their priority “remains the successful launch of the Tezos network.”

Hundreds of millions of dollars are at stake: The Tezos digital coins, called “Tezzies,” are already priced at a hefty premium in futures trading even though they don’t yet exist. The launching of the Tezos network, which will trigger the coins’ release, has been delayed. Until the network launches – and no date is set – contributors to the fundraiser will receive nothing.

Under the terms of the Tezos coin offering, there’s no guarantee participants will ever receive a single Tez. Participants agreed to accept the risk that the project “may be abandoned.” Despite the feud, Gevers said he remains committed to resolving the feud so that “this project succeeds.”

The tale of how two young entrepreneurs raised a fortune for a project barely out of the starting blocks is reported here in detail for the first time. It highlights the risks inherent in the current frenzy for ICOs, in which tech startups issue new cryptocurrencies to raise capital.

Reuters reported last month that cryptocurrency exchanges – where virtual currencies are bought, sold and stored – have become magnets for fraud and deception. More than 980,000 bitcoins – the most popular virtual currency – have been stolen since 2011. Today they would be worth about \$5 billion.

Similar large sums are pouring into initial coin offerings. From January through September, ICOs generated \$2.2 billion, more than three times the amount invested in similar startups by traditional venture capital firms, according to Novum Insights, a data provider.

ICOs can be a way for technology projects to raise money online to finance the development of new, open-source computer networks that aren’t necessarily looking to make a profit. Contributors receive new digital coins, or tokens, which they typically need to “pay” to access the new networks.

But the recent flurry of ICOs raising millions of dollars has attracted some dubious business propositions and outright scams, as well as speculators looking to trade the coins for swift gains. Authorities in the United States, Switzerland, China, Singapore and other nations have begun scrutinizing the sector closely for potentially tougher regulation.

“Most ICOs are bought by people looking to ‘flip’ their tokens to a greater fool for a quick profit,” said Alistair Milne, a co-founder of the London-based Altana Digital Currency Fund, which so far has avoided ICOs. More than “90 percent will fall to have a near-zero value in time,” he predicted.

The new cryptocurrencies function through a technology called blockchain, essentially a public ledger maintained by a network of computers. Blockchain applications are being tested by financial services firms, food suppliers, retailers and other businesses as a way to make record-keeping simpler and cheaper. Tezos aims to be a blockchain that’s more reliable than the ones behind bitcoin and ether. Several entrepreneurs and investors in the blockchain industry said the Tezos technology has potential because it would be easier to upgrade and may be more secure than other blockchains.

Top 10 Initial Coin Offerings

Large sums are pouring into ICOs as blockchain ventures raise capital by creating and distributing new cryptocurrencies.

Name	Date	Raised* (\$)	Registration country
EOS	June 2017-ongoing	289,000,000 (Estimate)	Cayman Islands
Filecoin	August-September, 2017	233,000,000	USA
Tezos	July 2017	232,319,985	Switzerland
Bancor Protocol	June 2017	153,000,000	Switzerland
Kik	August/September, 2017	100,000,000	Canada
Status	June 2017	95,000,000	Switzerland
TenX	June 2017	83,110,000	Singapore
Press.One	July 2017	82,000,000	China
KyberNetwork	September 2017	50,000,000	Singapore
MobileGo	April/May 2017	53,069,235	USA

*Figures may include amount raised in pre-sales.

Note: Amounts raised may have changed since the ICOs concluded as contributions are typically made in other cryptocurrencies whose values fluctuate.

Source: Novum Insights

ANARCHO-CAPITALISM

The son of Jean-Claude Deret, a French playwright and actor, Arthur Breitman studied applied mathematics, computer science and physics in France, before moving to the United States and studying financial mathematics at New York University. He went on to work for the investment banks Goldman Sachs and Morgan Stanley.

He is still listed as a co-organizer and “dear leader” for the New York Anarcho-Capitalist Meetup in New York, which describes its philosophy as “a type of radical libertarianism that favors the abundant wealth production, rapid technological development, and high standards of living produced by capitalism.” Its website adds, “We are also fairly lazy about fighting the state.”

It was at a crypto-anarchist lunch in 2010 that Breitman first met Kathleen McCaffrey, an American college student from New Jersey. She is described on a political blog called The Politicizer as a libertarian Republican who first became interested in politics after listening to the provocative radio personality Rush Limbaugh at the age of five. She married Breitman in 2013.

Kathleen Breitman, now 27, later worked at the hedge fund Bridgewater Associates and at R3, a blockchain company. In a July post on the conservative website legalinsurrection.com, she said she “didn’t get along” at the hedge fund but had “a great time” at R3.

Bridgewater didn’t respond to a request for comment.

Arthur Breitman, 35, was an early fan of bitcoin, which first appeared around 2009. But he came to believe there were flaws in the blockchains behind bitcoin and other cryptocurrencies, finding them hard to upgrade and not secure. He tried to come up with something better.

In the summer of 2014, while working at Morgan Stanley in quantitative finance, Breitman released two papers online that presented his concept for a new type of blockchain. He called it Tezos, a name his wife has said he coined after creating an algorithm that searched for the names of unclaimed websites pronounceable in English.

The papers were published under a pseudonym, “L. M Goodman,” but emails and messages from Arthur Breitman reviewed by Reuters make it clear he was the author.

In an email Breitman sent to an acquaintance in early 2015, he said he was seeking to create a business based on Tezos but was trying not to be associated publicly with the project at the time. He expressed worry that his activities might conflict with his employment at Morgan Stanley, messages show.

Reuters reviewed a copy of a “Tezos Business Plan” from early 2015, which listed Breitman as chief executive. The plan projected that if the company survived 15 years, it would be worth between \$2 billion and \$20 billion. The budget called for paying Breitman \$212,180 in salary by year three. In August 2015, Breitman, who was still working at Morgan Stanley, set up a company in Delaware called Dynamic Ledger Solutions Inc, or DLS, to develop Tezos. He listed himself as chief executive.

The U.S. Financial Industry Regulatory Authority (FINRA) requires registered securities professionals to provide prior written notice to their employer to conduct outside business activities if there is “reasonable expectation of compensation.” According to FINRA records, Breitman was registered and did not report any “other business activities.” Morgan Stanley and FINRA declined to comment.

“We made all the proper disclosures,” Kathleen Breitman told Reuters in June. “It was a hobby, you know. And like there was never any intention to really commercialize any of the software.” She added: “We had some meetings with like C-suite executives at banks ... but honestly nothing serious.”

“A TERRIBLE SALESMAN”

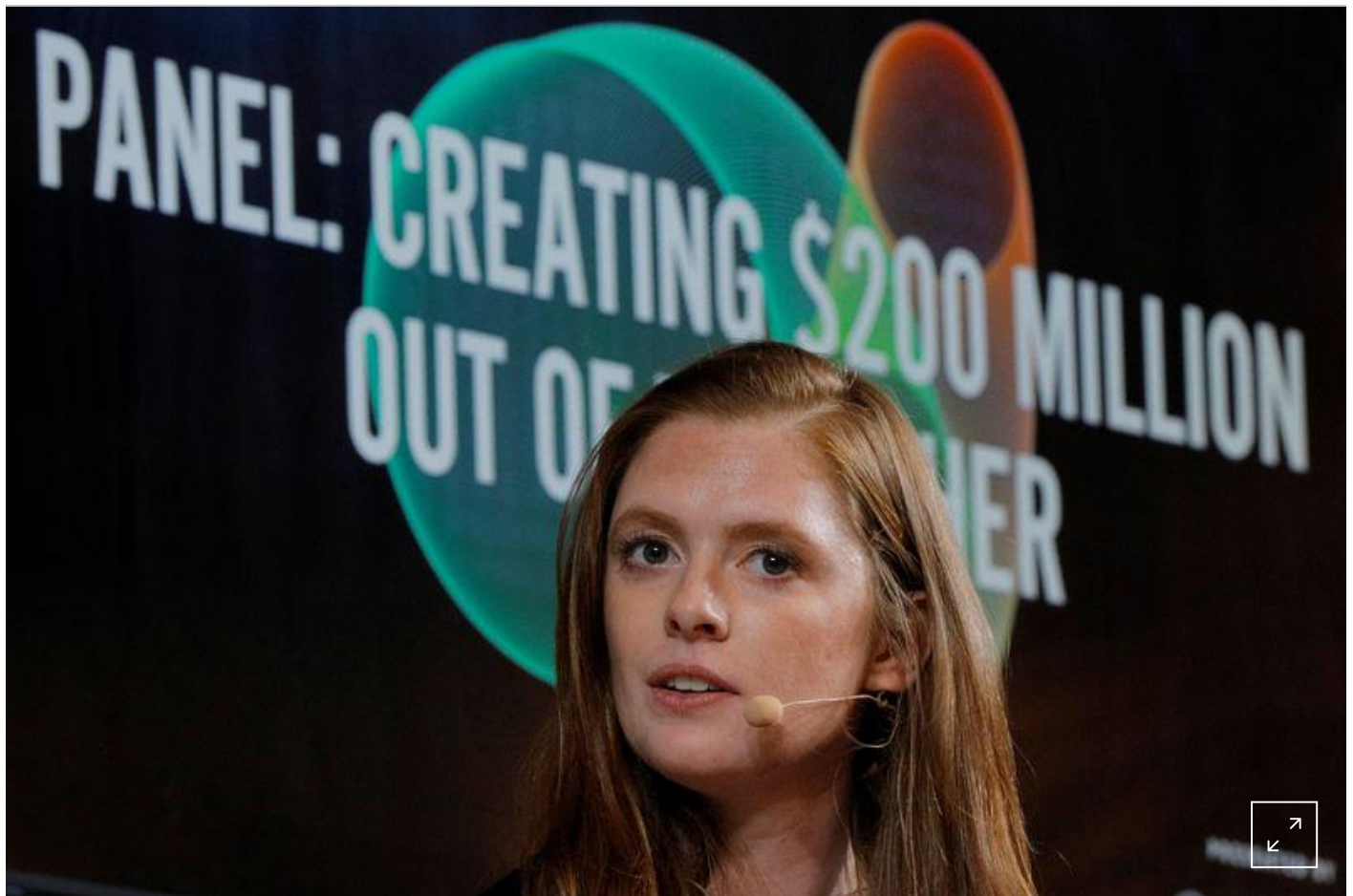
In 2015, Arthur Breitman was pitching “Tezos Inc.” in the hope of creating a consortium of four to five banks to adopt the technology and fund the operation. The business plan reviewed by Reuters called for raising \$5 million to \$10 million over two to three years.

By then, blockchain was beginning to pique the interest of large financial institutions for its potential to help cut costs of cumbersome back-office processes, such as the clearing and settlement of securities trades. Tezos’ 37-page business plan called it “an Internet for financial transactions” and said the technology could be used to automate the over-the-counter derivatives trading market.

But Breitman failed to attract backers. He told Reuters in June that he blamed his fundraising failures on the decision to develop the technology first, rather than just selling “a dream” as other blockchain startups were doing.

“I guess I was a terrible salesman as well,” he said.

“I can speak to that,” his wife said.



Kathleen Breitman, co-founder & CEO of Tezos, participates in the panel discussion “Creating \$200 Million Out of the Ether” at the 2017 Forbes Under 30 Summit in Boston, Massachusetts, U.S., October 2, 2017. REUTERS/Brian Snyder

In April 2016, Arthur left Morgan Stanley, and by that September, the Breitmans had started working on a new strategy for Tezos – to conduct an online fundraiser to distribute digital tokens, whose holders would maintain the Tezos blockchain. But the couple needed funds to keep the project going.

Over the next six months, they received \$612,000 from 10 early backers, including several cryptocurrency hedge funds, according to the Tezos.com website.

To conduct the ICO, the Breitmans chose a complex structure. Earlier this year, they helped to create a foundation based in Zug, Switzerland – dubbed “Crypto Valley” because of its many blockchain startups – that is seeking not-for-profit status, emails show. The idea, according to documents on the Tezos website, was that the foundation would raise money via the ICO, then acquire DLS, the Breitman-controlled company that has been developing Tezos.

Working through a Swiss foundation, the Breitmans thought, would provide regulatory oversight but not too much. Kathleen Breitman told Reuters in June that she and her husband opted to use a foundation based in Zug because Switzerland has “a regulatory authority that had a sufficient amount of oversight but not like anything too crazy.”

Georg von Schnurbein, co-author of a book on Swiss foundation governance, expressed surprise over cryptocurrency ventures like Tezos setting up not-for-profit foundations in Switzerland. “For me, the public interest is not clear,” he said. While not illegal, he said, creating a foundation with the aim of allowing inventors to profit from a sale conflicted with its status as a not-for-profit, which is supposed to benefit the public. He said federal regulators eventually might prohibit it.

“The issue that there is some kind of for-profit entity and there are transfers right at the beginning is something that is working at the moment, but won’t be sustainable,” he said.

“EXAGGERATED, TO SAY THE LEAST”

As work continued for the ICO, which was originally scheduled to be held in May, the project started running out of cash, Kathleen Breitman told Reuters. She spoke with Tim Draper, the well-known founding partner of Silicon Valley venture capital firm DFJ and a staunch bitcoin supporter. He invested \$1.5 million through his firm, Draper Associates, which included taking a minority stake in DLS, the company that controls the Tezos source code.

The Breitmans had also hired Strange Brew Strategies, a U.S. communications company, to promote their project, and Reuters wrote a news story on May 5 about Draper’s involvement.

In pitching the story to Reuters, John O'Brien, a principal of Strange Brew, had made claims about Tezos' progress. He wrote: "The applications of Tezos, ranging from derivatives settlement to micro-insurance, are real and recognized by industry giants. Ernst & Young, Deloitte, LexiFi, etc. have adopted Tezos in their development environments and labs."

On Oct. 3, a spokeswoman for the accounting firm Ernst & Young told Reuters: "The statement is not correct. EY has not adopted Tezos." A spokesman for Deloitte said Tezos' code is "one of many technologies we're considering" with blockchain, but it's "still early stage and we haven't used the technology for a client project."

Jean-Marc Eber, CEO of the French software company LexiFi, said, "The sentence, as stated, isn't accurate and unfortunately exaggerated, to say the least." While there had been "informal contacts," he said, "at this stage, LexiFi has not adopted Tezos' technology in its development environment or labs."

Strange Brew declined to answer questions about the statement.



INVESTMENT OR DONATION?

The Tezos fundraiser began on July 1. The Breitmans had wide-ranging expectations about how much they might raise. A document on Tezos.com suggested that if they received more than \$20 million, they might use it to “negotiate with a small nation-state” to adopt Tezzies, or acquire mainstream print and TV media outlets to promote the technology. In June, Kathleen Breitman told Reuters that about a year ago, when the price of bitcoin was lower, “we were like, ‘Hey, we would be lucky if we get 20 million.’”

When it ended after 13 days, the project received about 66,000 bitcoins and 361,000 ethers, worth about \$232 million at the time. The hoard is now worth about twice that.

Kathleen Breitman told Reuters that participating in the Tezos fundraiser was like contributing to a public television station and receiving “a tote bag” in return. “That’s kind of the same thing here,” she said.

The fundraiser’s terms called the contributions “a non-refundable donation” and not a “speculative investment.”

If deemed a donation, and not a security, the funds raised might not fall under the remit of financial regulators in the United States. In the U.S., investments in assets such as company shares and other securities are regulated by the Securities and Exchange Commission. The SEC has been studying ICOs, and in July issued an investor bulletin that warned: “Depending on the facts and circumstances of each individual ICO, the virtual coins or tokens that are offered or sold may be securities.”

Part of the SEC’s assessment is to examine the reasonable expectations of participants in the ICO. Some participants in the Tezos fundraiser told Reuters they viewed the coins at least partly as an investment.

Kevin Zhou, co-founder of the cryptocurrency trading fund Galois Capital, said he invested about five bitcoins in Tezos, which he considers overall one of the better ICOs.

“For me and for a lot of people this is an investment. We are looking for a return,” Zhou said. “I don’t really care about” using the Tezos technology, he added.

Draper told Reuters that cryptocurrencies are commodities like pork bellies, and characterized acquiring Tezzies as a purchase rather than a donation. Asked this month how much he donated during the Tezos fundraiser, he replied via email, “You mean how much I bought? A lot.”

“TOTAL MENSCH”

At the moment, the Tezos Foundation holds all of the fundraising proceeds, while the Breitmans, through their Delaware company, control much of Tezos’ intellectual property. The plan is for the foundation to acquire the Breitmans’ company and release the technology under a free software license, according a “Transparency Memo” on the Tezos website.

Gevers, who founded the Tezos Foundation, said it has a contract that stipulates the Breitmans will either sell the Delaware company to the foundation “within a reasonable point of time” or, if they don’t, “the foundation can take it.” He declined to provide a copy of the contract.

When the foundation will acquire the Breitmans’ company remains unclear. Kathleen Breitman told Reuters in June, “Essentially, you know, they’re going to buy out the company in like July or so, I guess.”

The Breitmans stand to receive millions of dollars if the deal goes through. According to the “Transparency Memo,” the new blockchain “must launch and operate successfully” for three months, then DLS’s shareholders – the Breitmans and Draper – are entitled to receive 8.5 percent of the fundraiser proceeds in cash. That amount, according to Gevers, is about \$19.7 million. The shareholders also are slated to receive another 10 percent of the Tezzies issued, with the coin distribution spread out over four years. Those coins currently are worth about \$140 million in futures trading.

Prior to the fundraiser, Kathleen Breitman effused about Gevers, 52, a Zug-based South African entrepreneur who has never before run a foundation. During an “Ask Me Anything” session in May on an online chat channel, she posted: “He’s awesome. Total mensch and very philosophically committed to our project.”

Relations later soured. The Breitmans objected to people the foundation suggested it wanted to hire, Gevers said. Another sticking point: The couple's company hasn't relinquished control over the foundation's own website, www.tezos.ch.

"They control the foundation's domains, websites and email servers, so the foundation has no control or confidentiality in its own communications," Gevers said.

The Breitmans officially have no role at the Tezos Foundation. The letter from their lawyer this week proposed the creation of two foundation subsidiaries – Tezos AG and Tezos France SA – to develop and support Tezos, with the Breitmans serving as chief executive and chief technology officer of Tezos AG. The couple also would be given "observer status" on the foundation board. The foundation would then "limit" its activities to supervising and supporting the subsidiaries, "rather than conducting any direct operations."

According to von Schnurbein, under Swiss law "the foundation is completely independent and the foundation board is completely independent." Gevers said the foundation wants the couple to continue playing a leading advisory role. "They are both very competent people and obviously they started this whole thing. And it would be stupid to exclude them."

But he added: "You can rest assured as long as I have anything to do with this, the foundation will be independent."

Gevers said he has filed a complaint with Swiss regulators about the request he received via email this week from the foundation's two other board members that he step down from the board for a month. A spokesman for Switzerland's Federal Department of Home Affairs, which oversees the agency that supervises foundations, told Reuters that asking a board member to step aside must be done at a board meeting, not via email. The two board members who emailed Gevers didn't respond to a request for comment.

As for the hundreds of millions of dollars' worth of cryptocurrencies raised in the ICO, Gevers said the foundation has slowly begun selling the virtual currencies – lately about \$10.2 million worth a week – and plans to invest the proceeds in a diverse portfolio. The funds are intended to be used to run the foundation, ensure Tezos works and help to develop products using the technology.

So where are all the bitcoins and ethers raised in the ICO stored? That, Gevers said, was confidential.

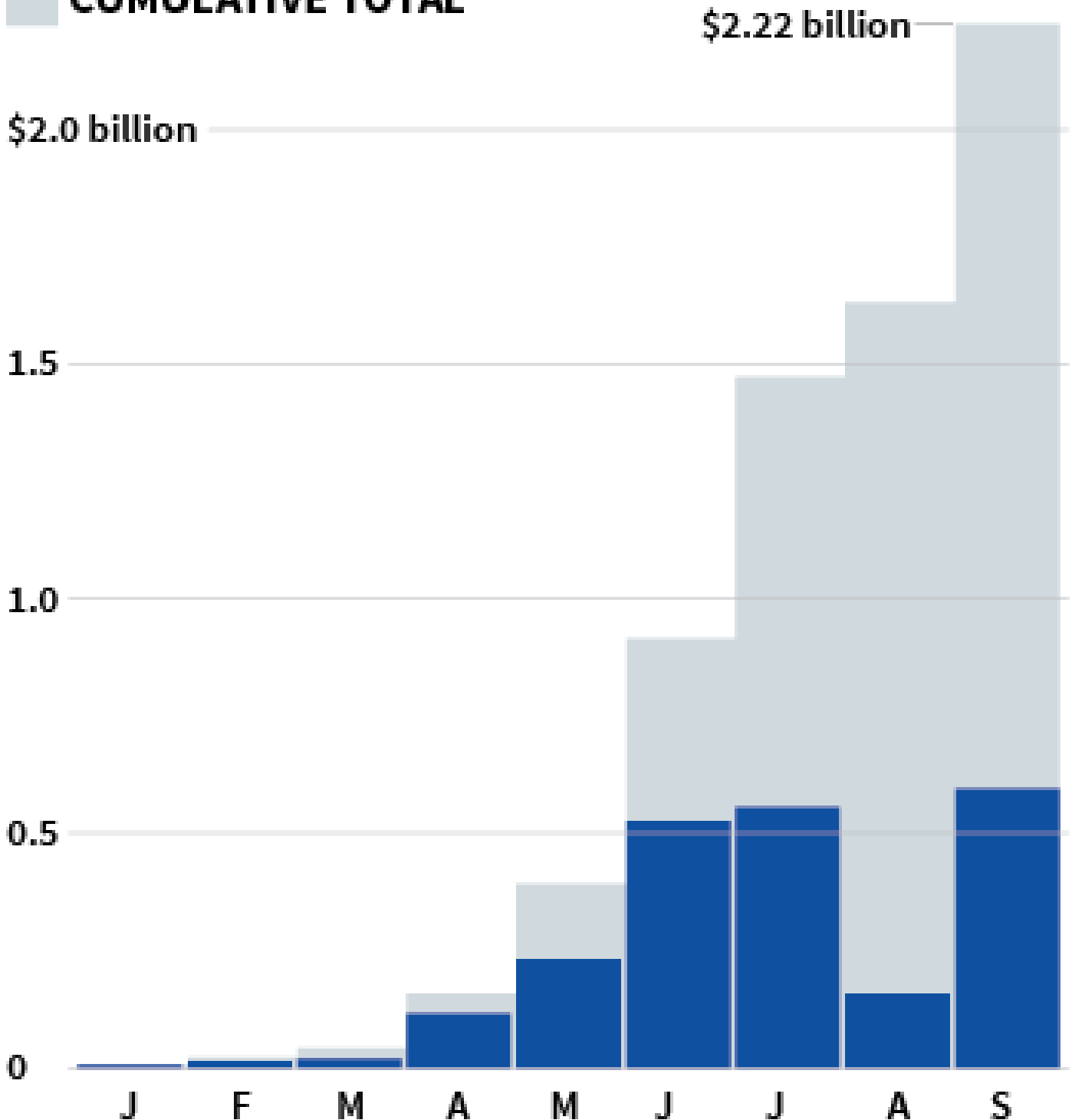
“These are not held in any one place,” he said, “but secured through high-security” digital wallets “that no single party has control over.”

ICO Frenzy

Initial Coin Offerings have raised record amounts this year.

MONEY RAISED PER MONTH BY ICOS IN 2017

CUMULATIVE TOTAL



Source: Novum Insights

Anna Irrera reported from New York, Steve Stecklow from London and Zug, and Brenna Hughes Neghaiwi from Zug; Additional reporting by Jemima Kelly in London; Editing by Richard Woods and Michael Williams

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EXHIBIT 5



[contribution terms](#) [fundraiser faq](#) [tezos main site](#)

[HOME](#) | [ARCHIVES](#) | [CATEGORIES](#) | [TAGS](#) | [ATOM](#)

Fundraiser FAQ

Background information

Here is an [overview document](#) presenting the project and the fundraiser

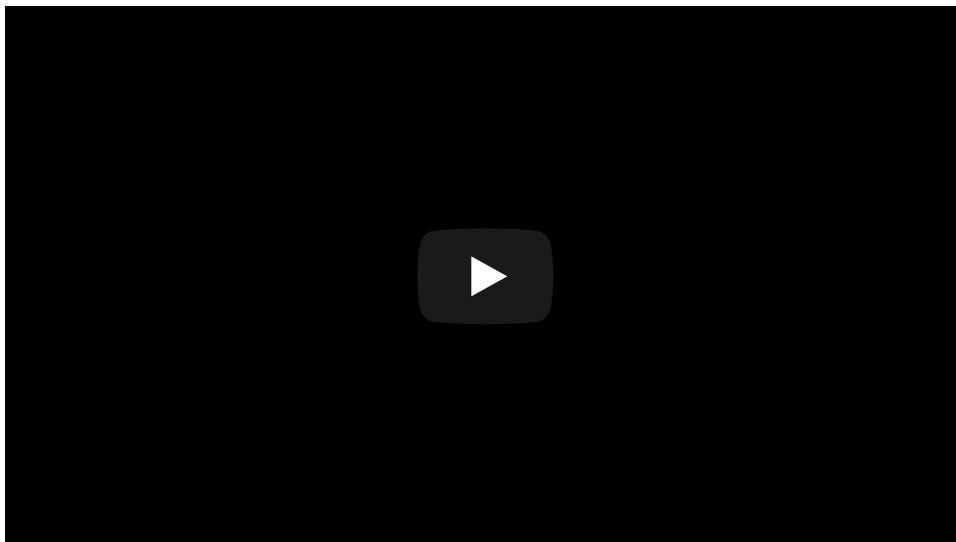
When is the Tezos fundraiser?

The fundraiser for the Tezos Foundation will begin on July 1st, 2017 at 6am UTC. It will last about two weeks (depending upon how long it takes for the Bitcoin network to mine 2000 blocks), and will result in a recommended allocation of tezzies (XTZ) to participants.

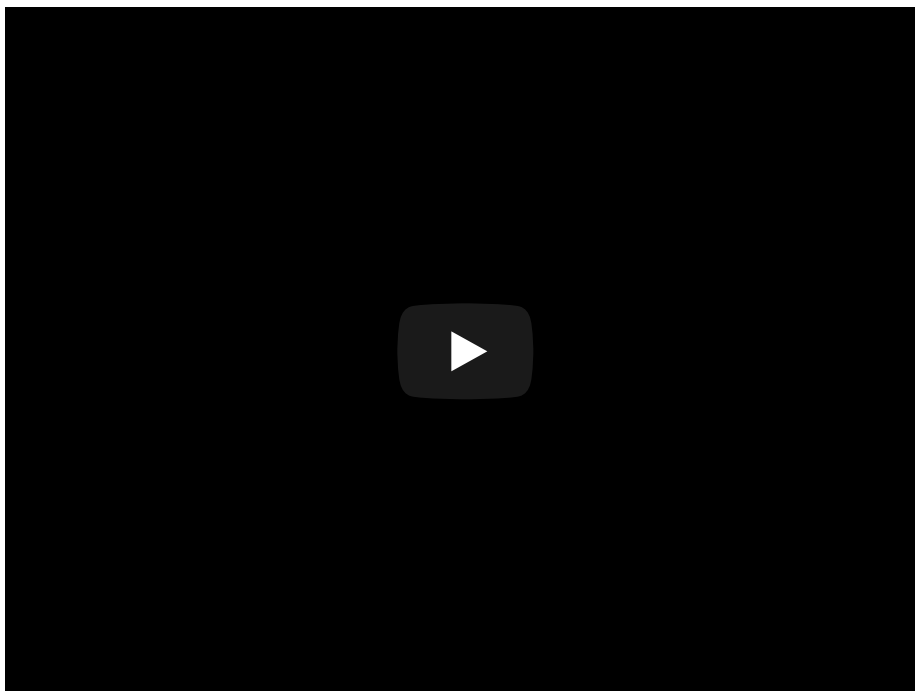
How do I access the fundraiser?

You can access the fundraiser at <https://crowdfund.tezos.com> which will go live when the fundraiser opens. It will offer step-by-step instructions.

To give you an idea, here's a walkthrough of the contribution process:



If you intend to use altcoins through Shapeshift, here are special instructions



Is the fundraiser capped?

Following the example set by the Ethereum Foundation, there is no limit on the amount of contributions that will be accepted. Capped fundraisers are typically dominated by a few large users with fast fingers. Tezos seeks to be accessible to everyone wishing to join in creating a robust and vibrant Tezos network.

What is the minimum contribution?

The minimum contribution is 0.1 BTC or its equivalent in other means.

What other means of contribution will be accepted besides BTC (XBT)?

The Tezos Foundation will also accept ETH, and offers a convenient way to contribute other alts via ShapeShift. If you choose to contribute in ETH, the equivalent BTC amount will be estimated based upon the timestamp of the Ethereum block in which the transaction is included, and the median of the the last trade price on Poloniex, Kraken, and GDAX. This is offered for the convenience of ETH holders and on a best-effort basis. If you want certainty contribute with BTC, otherwise you accept the risk that the exchange rate you'll get may not be exactly what you see on the screen at the moment of your contribution. Contributions in fiat currencies are also possible through Bitcoin Suisse AG, though be advised to check their rates and their legal agreement, and start the account opening process as soon as you can in order to give them sufficient time to process your application and for you to wire the money to their bank account before the fundraiser starts.

Can I send from an exchange?

Yes, but if contributing with ETH you need to be able to send data alongside the transaction, so make sure your exchange or wallet can do so.

Are there bonus periods?

The fundraiser will last for a period of 2000 Bitcoin blocks. Throughout this period, a contribution of one bitcoin will lead to a recommended allocation of five-thousand tezzies (5,000 XTZ) plus a time-dependent bonus. The bonus starts at 20%, meaning that a contribution of 1 BTC will yield a recommended allocation of 6,000 XTZ (a 1000 XTZ bonus). From 20% at the outset the bonuses will decrease progressively to 0% over four additional periods (15%, 10%, 5%, and 0%) lasting 400 Bitcoin blocks each. The average time between Bitcoin blocks is approximately 10 minutes, thus the fundraiser is expected to last about two weeks, and each bonus period of 400 blocks roughly two days and eighteen hours.

How exactly do I contribute to the fundraiser?

1. Visit <https://crowdfund.tezos.com> after the fundraiser begins on July 1st, 2017 at 6am UTC. Make sure you type this exact address. Do not follow a link in an email or online; manually type this address into your browser. You will then go through the following steps:
2. First your browser will be checked for compatibility. Once verified, you may either continue the process online or download a static html document which you can use on an air-gapped (not connected to the Internet) computer. If you are considering making a large contribution, we strongly advise you to use the *offline* option and to use a brand new computer for the occasion which should be securely wiped after use.
3. You will be presented with a prompt asking for an email address and a new password. This isn't a registration. The email and password act as a secondary safety factor to

protect the wallet that will be generated on the next screen. Pick a strong but memorable password. Losing your password means you will not be able to access the XTZ which may be allocated to you. There is no way to recover your password if you forget it. Click 'next'.

4. Your browser will generate a set of words (a "mnemonic") representing your private key, as well as the hash of your public key. You must keep these words secure. The hash of your public key a string of numbers and letters starting with "tz1". You can use it to verify your contribution after you have completed the process.
5. Save your wallet, either by manually copying the mnemonic, printing it, or moving the file to a USB drive. Verify that the seed words and public hash on the webpage match your downloaded wallet. Click 'next'.
6. Refer to the wallet number at the top of the document you just saved. Type your wallet number into the appropriate prompt and re-enter your password. Click 'next'. If you used the offline option, you will instead have to follow a link online to continue the contribution process. You can use your regular computer for that step, as it does not leak the private key. If using the online option you will directly go to the contribution screen.
7. You may now enter your desired contribution (if using BTC it is labeled XBT). You can send a test first, and/or send from multiple wallets/exchanges over several transactions. Remember if sending with ETH you must send it with the data as indicated in your paper wallet. Initiate the transfer by clicking your chosen contribution method (if it is fiat currency you will be directed to BitcoinSuisse AG's website and you may skip the rest of step #8). Whether contributing in Bitcoin or Ethereum, double-check that the address is correctly entered by comparing it with your paper wallet, and complete the transfer. If using ShapeShift, click the ShapeShift button and enter the type of alt you'd like to convert into XBT. The destination address automatically populates, though you should check it by clicking on Bitcoin on the conversion page. Enter a return address (an address where your alts can be send back) in case the transaction does not go through, and enter your email address for a receipt of the transaction. Submit after double-checking everything and you are ready.
8. Once the transaction is confirmed (which will take 6 bitcoin blocks, regardless of your contribution method), you will be able to confirm receipt of your contribution by following the "receipts" link and entering the public hash listed in your wallet.
9. You're done!

When will Tezos first be listed on an exchange?

A few exchanges have expressed interest but there is no exact timeline for XTZ to become listed. XTZ will most likely begin listing when the Tezos network becomes active and changes in ownership can be recorded on the blockchain. The development team estimates that the time to completion is around 4 months, however, bear in mind this could take longer due to unforeseen events common in software development. The Tezos Foundation will not be able to allocate tokens until the network launches. If you are anxious about exchange listing dates, we suggest you do not contribute to the fundraiser and wait until such a listing happens.

EXHIBIT 6

Tezos

The self-amending cryptographic ledger





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EXECUTIVE SUMMARY

Tezos is a decentralized blockchain that governs itself by establishing a true digital commonwealth.

What's more, Tezos was built to facilitate formal verification, a technique which boosts the security of the most sensitive or financially weighted smart contracts by mathematically proving the correctness of the code governing transactions.

The Tezos blockchain will underpin secure, decentralized applications and smart contracts while avoiding some of the political and technological problems which earlier efforts such as Bitcoin and Ethereum have faced. Tezos was built on the belief that a deep commitment to security, formal verification, and governance that gives stakeholders the power to make protocol decisions is the formula for earning trust and generating widespread adoption on the blockchain.

This document provides a comprehensive overview of Tezos, its applications and benefits, the developers involved in the project, the upcoming Tezos fundraiser (sometimes loosely called "ICO" or "crowdsale"), the Tezos Foundation and the goals the Foundation hopes to achieve.





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THE HISTORY OF THE TEZOS BLOCK-CHAIN

Work on Tezos began in 2014 by its founding development team, whose academic experience spans from philosophy to physics, mathematics and computer science, along with professional experience that includes positions at Goldman Sachs, Morgan Stanley, The Wall Street Journal, and Accenture. They recognized that decentralized blockchains share the same challenges that exist in any commons (the name economists give to a resource shared by several people), specifically that challenges around governance and maintenance often lead to stagnation, shortages, and political deadlock.

In the case of pioneers like Bitcoin and Ethereum, those challenges have manifested themselves in situations that put too much power in the hands of core development teams or miners. In other words, first-generation blockchains have become subject to a form of centralization that their developers sought to avoid.

During three years of development, the Tezos team sought to address the need for decentralized innovation in protocol design and emphasized the importance of formal verification in its software design philosophy.

December 2013 - Gordon Mohr suggests NomicCoin on Twitter

January 2014 - Independent formulation of this idea by L.M. Goodman

March 2014 - Tezos development begins self-funded

August 2014 - Tezos Position Paper is released

September 2014 - Tezos White Paper is released

January 2015 - Zooko becomes an advisor to Tezos

August 2015 - Bitcoin XT proposed, the "block-size debate" begins putting governance on the front stage

June 2016 - The DAO is hacked, a hard-fork of Ethereum is soon decided by the Ethereum Foundation

June 2016 - The pre-fork Ethereum chain becomes Ethereum Classic and splits the network

June 2016 - Andrew Miller joins as an advisor

September 2016 - Arthur Breitman presents Tezos as StrangeLoop

September 2016 - Polychain Capital and several individuals back Tezos to help scale up development

February 2017 - Emin Gün Sirer joins as a technical advisor in an official capacity

May 2017 - Tezos Foundation launches in Switzerland

Summer 2017 - Tezos network launches



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tezos.com

THE PRINCIPLES OF THE TEZOS BLOCKCHAIN

2.1 GOVERNANCE

While all blockchains offer financial incentives for maintaining consensus on their ledgers, no blockchain has a robust on-chain mechanism to seamlessly amend the rules governing its protocol and explicitly fund protocol development. As a result, first generation blockchains tend to empower, de facto, centralized core development teams or miners to formulate design choices.

Tezos takes a fundamentally different approach by **creating governance rules for stakeholders to approve of protocol upgrades that are then automatically deployed on the network**. When a developer proposes a protocol upgrade, they can attach an invoice to be paid out to their address upon approval and inclusion of their

upgrade. This approach provides a strong incentive to contribute efforts towards core development of the Tezos blockchain and further decentralizes the maintenance of the network. It compensates developers with tokens that have immediate value rather than forcing them to seek corporate sponsorships, foundation salaries, or work for Internet fame alone.

Tezos instantiates new technical innovations but can also enforce types of constitutionalism through the use of formal proofs to mathematically verify that key properties are upheld over time. By allowing stakeholders to coordinate on-chain, the network also allows for the creation of bounties to implement specific features or discover bugs. Collectively, the network maintains the decentralized aspect of blockchains while introducing

a mechanism to enable collective decision making. Tezos tokens not only power smart contracts in the network, but also allow votes on protocol amendments. The initial Tezos rollout is simple by design, but its self-amending nature means that the rules governing the network can be improved over time.

2.2 CORRECTNESS

Blockchains underpin billions of dollars of value with relatively small codebases, which puts them in the sweet spot for formal verification, a powerful technique that mathematically proves the correctness of computer programs. Formal verification has been used in the aerospace industry, in medical devices, and other instances where the stakes are too high to fail.



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2.2.1 OCAML IMPLEMENTATION

Formally verifying a complex piece of software is a sizable task, so the development team sought to simplify it as much as possible. To that end, we implemented Tezos in OCaml, a functional programming language that has been developed and maintained by the INRIA since 1996 (and itself based on earlier efforts). Its speed is comparable to that of C++ and it generally features among the fastest programming languages in benchmark testing. More importantly, OCaml is strongly typed and offers an impressive type inference system. Its expressive syntax and semantics, including powerful pattern matching and higher-order modules, make it easy to concisely and correctly describe the type of logic underpinning blockchain-based protocols. OCaml's semantic is fairly rigorous and a very large subset has been formalized, which removes any ambiguity as to what is the intended behavior of amendments. In addition, Coq, one of the most advanced proof-checking software tools, is able to extract OCaml code from proofs. As Tezos matures, it will

be possible to automatically extract key parts of the protocol's code from mathematical proofs of correctness.

2.2.2 MICHELSON

The correctness of smart contracts running on the Tezos blockchain is almost as important as that of the core protocol itself. Smart contract bugs can taint the reputation of the platform they operate on. To mitigate that risk, the development team designed our smart contract language with correctness and formal verification in mind.

Michelson is statically typed and purely functional. This design largely eliminates large classes of bugs such as the DAO reentrancy bug or the Solidity ABI vulnerability discovered by the Golem project. The language itself looks like a mix between Forth and Lisp and a reference is available [here](#). The Tezos development team has already successfully proven the correctness of Michelson contracts in Coq, including the multisig contract.

More information about these design choices are found in the Tezos [position paper](#) and [white paper](#).



Formally verifying a complex piece of software is a sizable task, so the development team sought to simplify it as much as possible.



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2.3 PROOF OF STAKE

In its initial incarnation, Tezos is launching with a delegated proof-of-stake consensus algorithm. This choice of consensus algorithm is amendable, on-chain, by the stakeholders. In principle, a proof-of-work consensus or even a federated consensus could take its place. However, the development team expects proof-of-stake to be an important part of the Tezos culture and thinks it will remain the primary consensus method.

Tezos' delegated proof-of-stake system works by letting every stakeholder designate one or several delegates of their choice to create blocks and validate transactions on their behalf. The higher the stake delegated to a given validator, the more often will they be called upon to create blocks. **Though the Tezos system is delegated, every token holder can participate as a delegate regardless of the amount they hold.**

The network issues newly minted tokens as a reward to validators for the service they provide to the network. These rewards will create *nominal* inflation; **holders are free to be their own delegate if they so desire and thus to avoid any dilution.** It likely that large delegates will offer to share some of their profits in a bid to attract more stakes.

The computing requirements to become a validator are relatively lightweight (a few hundred watts at most) but a robust, high-speed Internet connection is required. Running a proof-of-stake node also requires more operational security than running a mining operation as it involves signing blocks with a private key on a machine connected to the Internet. This risk can be mitigated by the use of secure hardware components, as found in devices like the Trezor or the Ledger Nano S.



The development team expects proof-of-stake to be an important part of the Tezos culture and thinks it will remain the primary consensus method.



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tezos.com

PEOPLE AND ORGANIZATIONS INVOLVED WITH TEZOS

3.1 DYNAMIC LEDGER SOLUTIONS

The Tezos blockchain is primarily being developed by Dynamic Ledger Solutions, Inc. ("DLS") a US-based company co-founded by Kathleen and Arthur Breitman.

Arthur was born in France and educated at École Polytechnique in math, physics, and computer science. He then went on to a career in quantitative finance, including positions at Goldman Sachs and Morgan Stanley. Kathleen holds a BA from Cornell University and worked at The Wall Street Journal, Bridgewater Associates, Accenture, and R3 prior to Tezos.

Kathleen met Arthur at a crypto-anarchist meetup in New York in 2010 and they've been together ever since.



3.2 THE DEVELOPMENT TEAM

Tezos is a small team. The philosophy behind the Tezos project dictates that the core team should not be the only contributors to the Tezos project. That being said, the original team will obviously play a critical role in growing and improving the network in its infancy.

There are currently ten core developers: Arthur Breitman, Benjamin Canou, Çağdaş Bozman, Pierre Chambart, Grégoire Henry, Mohamed Iguernlala, Fabrice Le Fessant, Alain Mebsout, Vincent Bernardoff, and Guillem Rieu.

Our development team is primarily located in Paris, France and has been working on the Tezos ledger through a partnership with OCamlPro, a software company with deep OCaml expertise founded by Fabrice Le Fessant. Most of our developers have Ph.Ds in Computer Science and expertise in programming language theory.



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3.3 THE TEZOS FOUNDATION

Tezos' founders thought it that it would be beneficial for the the Tezos Network if a non-profit foundation could guide its early steps and complement the decentralized nature of its governance model. The Tezos Foundation is an independent Swiss entity whose goal is to promote and foster the use of the Tezos blockchain, its technology and its ongoing development.

Since the early days of the Tezos network are critical, the Tezos foundation will retain a veto power over protocol upgrades for a period of one year from minting the Genesis block. However, the Foundation does not and will not have any privileged power in proposing protocol upgrades. Any protocol upgrade proposed by the Foundation will need to be vetted and agreed upon by the stakeholders just as any other proposal would.

The members of the Foundation council are Johann Gevers, Diego Ponz, and Guido Schmitz-Krummacher. Johann Gevers is one of the founders of the Cryptovalley ecosystem in Zug, Switzerland, as well as the CEO of **Monetas**, a digital payments company based in Zug. Diego Ponz is a computer scientist and entrepreneur with an expertise in combinatorial optimization. Guido Schmitz-Krummacher is a businessman in the Zug area.

3.4 ADVISORS

Tezos advisors currently include:



Zooko Wilcox

Computer scientist and the leader of the ZCash project.

Additionally, Zooko is the designer of multiple network protocols and a member of the development team of ZRTP and the BLAKE2 cryptographic hash function.



Emin Gün Sirer

Associate Professor at Cornell University.

Gün's research spans operating systems, networking, and distributed systems. He is a Co-Director of the Initiative for Cryptocurrencies and Contracts (IC3) at Cornell. Emin has made enormous contributions to the Bitcoin community through his work on vaults and selfish mining techniques.



Andrew Miller

Assistant Professor at the University of Illinois, Urbana-Champaign in Computer Engineering and Computer Science.

Andrew is also an Associate Director of the Initiative for Cryptocurrencies and Contracts (IC3) at Cornell and an advisor to the ZCash project. His research interests are broadly in computer security, and focused on the design of secure decentralized systems and cryptocurrencies.

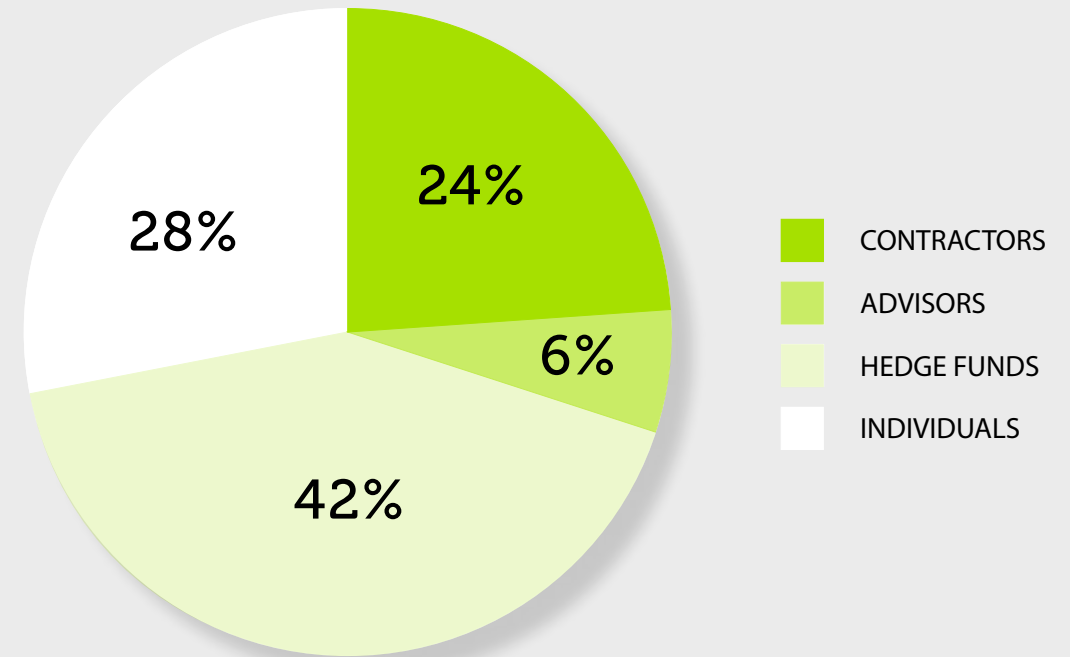


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3.5 EARLY BACKERS

In order to fund the last phases of Tezos' development, the DLS team received backing from ten entities from September 2016 through March 2017. Three of these entities were hedge funds with a specific focus on tokens. The other seven backers were high net-worth individuals, or federations thereof, many of whom were also LPs of the hedge funds. Total early funding amounts to \$612,000. In order to value the early participants in this project, the Tezos Foundation will recommend an allocation of XTZ tokens equivalent to \$893,200.77 in contributions (corresponding to a 31.48% discount). No single backer represented more than 33% of the total amount.

DLS chose these backers strategically, with an emphasis on people and entities who were philosophically in-line with our uncapped fundraising structure and are long-term believers in the Tezos protocol, either based on their technical expertise or familiarity with the founding team.





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tezos.com

FUNDRAISER

The Switzerland-based Tezos Foundation will oversee a fundraiser on July 1, 2017.

It will recommend a token allocation in the

Tezos genesis block based on contributions in bitcoins and Ethers (Please refer to the legal document that will be issued by the Foundation for more details.)

The Foundation will receive and manage all contributions on a

special website: <https://crowdfund.tezos.com> and through Bitcoin Suisse AG, a Swiss exchange that has successfully managed several fundraisers.





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tezos.com

4.1 SCHEDULE

Following the example set by the Ethereum Foundation, there is no cap on the amount of contributions that will be accepted by the Foundation. This is done in order to ensure that participation is not limited only to insiders or the “fast-fingered”. The Tezos development team believes that an un-capped fundraiser will promote a widespread distribution of the tokens, a necessary prerequisite to launching a robust network.

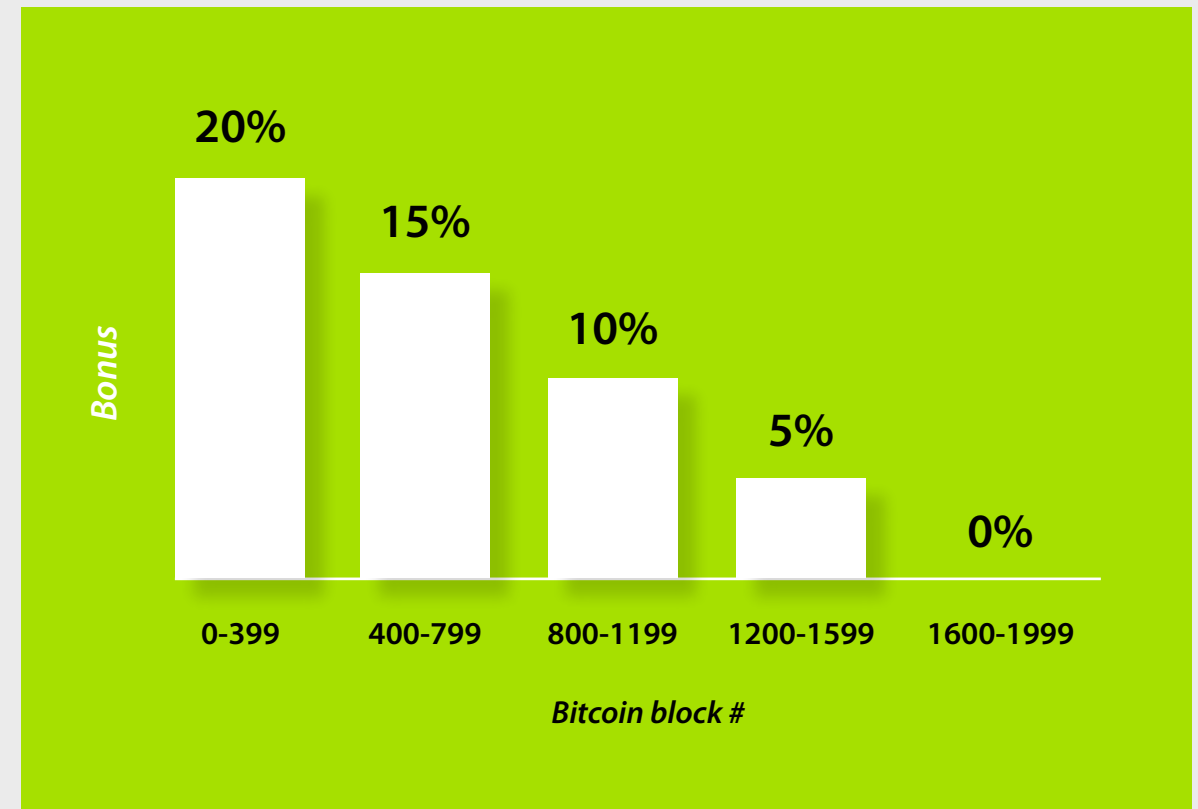
Though the amount of Tezzies allocated is denominated in bitcoins, contributions may be made in ethers, that will be implicitly converted at the prevailing rate on a best effort basis. Contributions may also be made through Bitcoin Suisse AG who accepts fiat currencies and other electronic tokens and will participate in the fundraiser on behalf of its customers.

The fundraiser will last for a period of 2,000 Bitcoin blocks. Throughout this period, a contribution of one bitcoin (1 XBT) will lead to an allocation of five-thousand tezzies (5,000 XTZ) plus

a time dependent bonus. This bonus is meant to incentivize contributors not to delay their participation. The bonus starts at 20%, meaning that a contribution of 1 XBT will yield an allocation of $5,000 \times (1 + 20\%) = 6,000$ XTZ and decreases progressively to 0% over 5 periods lasting 400 Bitcoin blocks each.

The average time between Bitcoin blocks is approximately 10 minutes, thus the fundraiser is expected to last approximately two weeks, and each period of 400 blocks roughly two days and eighteen hours.

The Foundation will manage the proceeds of the fundraiser and sell contributions progressively throughout the fundraising period in order to reduce the risk inherent in holding cryptographic tokens.





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- 5 PLANNING
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4.2 RECOMMENDED ALLOCATION

The foundation will recommend allocation based on the following pools:

Pool A

The fundraiser

Pool A will represent the contributions made during the fundraiser and be allocated at a rate of **5,000 XTZ / XBT** plus a bonus depending on the time at which the contribution is made.



**5,000 XTZ / XBT
+ up to 20% bonus**

Pool B

Early backers

As mentioned above, DLS accepted a small amount of backing to fund development, representing \$893,201 in promises. These backers are thus being allocated a specific number of tokens based on the initial price (bonus included), **not a fixed percentage of the issued tokens.**

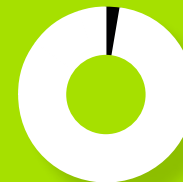


**\$893,201 worth
+ 20% bonus**

Pool C

Advisors, PR, and development team bonuses

Bonuses totalling \$317,000 will be granted to the development team in addition to their regular compensation. An additional \$75,000 will be granted to advisors, and \$30,000 worth of tokens to a communications consulting firm.



**\$422,000 worth
+ 20% early bonus**

Pool D

10% to the Foundation, vesting over four years

An amount equivalent to one eighth of the tokens allocated in pools A, B, and C will be allocated to the Foundation. This pool will represent **10% of the total number of tokens issued during the fundraiser.** The foundation's priorities are listed below, in Section 4. **These tokens will vest over a period of 4 years.**



10% over 4 years

Pool E

10% for acquisition of DLS, vesting over four years

An amount equivalent to 1/8 of the tokens allocated in pools A, B, and C will be reserved by the Foundation as part of its acquisition of shares of DLS (subject to approval by the Swiss supervisory authority for foundations). **These tokens will vest over a period of 4 years** and also represent 10% of the total amount of tokens issued.



10% over 4 years



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FOUNDATION PLANNING



A detailed layout based on different fundraising scenarios can be found in **THE TABLE**.

The Tezos Foundation will manage the contributions according to its purpose. Initially, the Foundation will budget from four to six years, depending on the amount raised. After this period, the Foundation will phase itself out unless the community votes to keep it in existence through funding via tokens.

The Foundation will have the discretion to pay for services it believes will benefit the promotion of the Tezos protocol, either in tokens or another currency. This section outlines initial team believes the Foundation should value, as well as the estimated costs for servicing each priority based on the proceeds of a fundraiser.

5.1 ENGINEERING

The primary task of the Foundation is to ensure the functionality of the network. To this end, the Foundation will, at a minimum, retain the original development team at the current annual cost of \$900,000. This will cover maintenance, as well as some integrations and proposals. Over four years, this will cost the Foundation \$3.6 million.

DLS partnered with OCamlPro, a company based in Paris with deep expertise in OCaml. Most of the developers working on Tezos have PhDs in formal verification and programming language theory.

5.2 RESEARCH

The Tezos protocol currently benefits from research in the formal verification and programming language communities at no cost. The initial development team of Tezos has a strong philosophical commitment to formal verification and a keen interest in researching new consensus algorithms for blockchains. The Foundation will look to fund research in this area with its endowment from the fundraiser.



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tezos.com

5.3 LEGAL SERVICES

Currently, Doug Barnes works on behalf of Dynamic Ledger Solutions, the company developing Tezos, through **Barnes Legal**. In addition to his legal qualifications, Doug was also involved in the cypherpunk movement in the early 90s. The Swiss law firm **MME** represents the Tezos Foundation and will continue to do so after the token generation event.

5.4 COMMUNICATIONS AND MARKETING

Currently, DLS retains communications consultancy to support its marketing efforts. As stated in the original Tezos whitepaper, DLS believes that the advocacy and marketing of protocols are integral to gaining greater acceptance of them from a wide community.

The Foundation exists to drive an ecosystem around the Tezos protocol. Similar projects have seen extraordinary success from

running meetups across the world. The Foundation will target New York, Tokyo, and Paris for events and meetups.

In the spirit of community building, the Foundation will also provide a forum attached to the www.tezos.com domain that can facilitate debate on proposals. This isn't meant to be the only forum for discussion and posts will be moderated to weed out abusive actors. Though the Tezos community will converge on a place to discuss proposals, it makes sense for the Foundation to spend a modest amount to create and moderate a potential option.

5.5 BUSINESS DEVELOPMENT

Non-engineering Tezos protocol efforts entail managing potential partnerships, marketing, financial transactions, and business operations broadly construed. It will soon be necessary to solicit more business development people to interface with non-technical stakeholders, as well as help manage Tezos vendors and contractors.



The Foundation exists to drive an ecosystem around the Tezos protocol. It will target New York, Tokyo, and Paris for events and meetups.



- 1 HISTORY
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LONG-TERM GOALS

Though our philosophy and governance model constrains how prescriptive the Foundation and the initial team can act, we thought it was worth documenting the types of things the Foundation will work to realize within the Tezos community.

6.1 COMMUNITY GOALS

Since Tezos has a built-in governance mechanism, its protocol can evolve and incorporate new innovations over time. In other words, stakeholders can make and enforce decisions about changes to the network using the network itself.

All protocol changes should go through the Tezos internal governance mechanism when possible. If a person or party introduces a change via a hard fork, but that change could easily have been instigated inside of Tezos, the network should reject that change and treat it as illegitimate.

However, some decisions will inevitably arise at a level that cannot be fully addressed within the network. The founding team would like to have a certain ethos govern the network. Namely, they believe the central goal of the governance mechanism is to protect the interest of each token holder, irrespective of their stake, in their capacity as a token holder.

Generally speaking, this would mean favoring decisions that tend toward increasing the value of the tokens. Not only does this directly benefit token

holders, but it also acts as a proxy for the most desirable properties, such as security, fairness, or usefulness. The ideal Tezos community would be intellectually rigorous without sacrificing pragmatism and inclusive without tolerating belligerence. There would be a focus on experimentation, testing, and folding in the most useful and innovative technical tools for the community to use. The Foundation does not endorse or look to facilitate any immoral behavior such as fraud or the instigation of violence on other beings or entities.

Tezos should be comprised of a community of serious thinkers, focused on preparing the most effective upgrades to increase the utility of the Tezos token. The network will reward these proposals by issuing them new tokens upon acceptance, creating a robust pecuniary incentive.

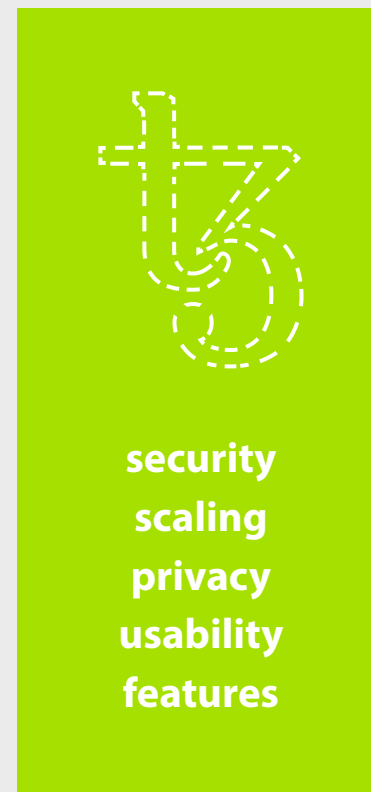


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tezos.com

6.2 DEVELOPMENT GOALS

The development goals of Tezos follow five axes: security, scaling, privacy, usability, and features. The development team will pursue all five goals somewhat in parallel but not with the same priority.



6.2.1 SECURITY

Tezos is built on a fresh code base. This let the development team control every aspect of the initial design and benefit from the advanced safety features of OCaml, but it also means that the system hasn't been battle-tested yet. Both Bitcoin and Ethereum successfully recovered from critical bugs in their code base, but such crises should be avoided as much as humanly possible. Therefore, the development team's primary focus will be to continuously work to improve the resilience of the network to DDOS attacks or malicious fork. Every other effort on the ledger is for naught if the core team fails to properly secure the network. Concretely, they will:

- *Keep increasing the test coverage of the code base*
- *Develop formal proofs of correctness for the most sensitive parts of the code*
- *Submit security upgrades to the protocol as needed*
- *Improve the randomness generation protocol with public verifiable secret sharing*
- *Release security upgrades to the block creation software*
- *Produce recommendations for operational security of block validators*

6.2.2 SCALING

The Tezos proof-of-stake algorithm affords us better scalability and transaction throughput that can be achieved with Bitcoin style proof-of-work. However, the initial parameters are set very conservatively in order to let us assess its performance in the real world and allow the ecosystem of validators to grow. Once the ledger accumulates real world experience, the development team will work towards cranking up the transaction throughput by:

- *Increasing the block size*
- *Lowering the block time interval*
- *Packing transactions more efficiently*

Note that the consequences of increasing the blocks' size in proof-of-stake are very different from the consequences of increasing the block size in a Nakamoto proof-of-work systems. In Nakamoto proof-of-work any increase in block size gives a slight advantage to centralized miners. This is because proof-of-work requires the block propagation and validation time to be very small compared to the block interval. In synchronous proof-of-stake protocols like Tezos', it only needs to be smaller than the block interval.



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6.2.3 PRIVACY

Privacy preserving transactions and smart contracts are a key feature of modern blockchains. Not only are they a security requirement, they ensure censorship resistance much more effectively than any tweaking of the consensus algorithm.

However no solution is perfect yet. Ring signatures, as used in Monero, can still leak some information about senders. Zcash makes an impressive use of zero-knowledge proofs to provide full, information theoretic, anonymity, but the risk – however remote – of undetected hyperinflation in the event of a bug in the proof circuit makes some users uncomfortable.

Our initial plan is to strike a compromise and integrate Zcash's proof circuit in the protocol, but restrict its operations to a special token issued on the Tezos blockchain. This token will be convertible 1 to 1 with Tezos tokens, but the chain will keep track of how many tokens have been converted so that undetected inflation in the privacy preserving token cannot spill over onto the main token. Users who trust the security of the privacy preserving token will have full use of its functionality while those who don't will remain protected as long as they

do not make use of the privacy feature. This mechanism replicates the economic behavior of a side chain, but on a single ledger.

In the long run, the team intends to replace all operations on the blockchain with zero-knowledge proofs. Instead of downloading an entire blockchain a client will be able to download a single proof attesting that the entire blockchain has been validated starting from the genesis hash. However, to that end, they will likely make use of STARKs, zero knowledge proofs similar to SNARKs but which do not require a trusted setup.

6.2.4 USABILITY

Initially, the Foundation team's primary task will be to build robust, scalable, and secure infrastructure. However, the development team also needs to make it an attractive platform. In particular, they will:

- *Develop light client libraries in most popular programming languages to help developers integrate with the Tezos network.*
- *Develop an IDE to facilitate development and formal verification in Michelson.*
- *Develop a certified compiler for a high-level language that will compile down to Michelson.*



Initially, the Foundation team's primary task will be to build robust, scalable, and secure infrastructure.



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6.2.5 FEATURES

“Features” are decentralized applications supported at the protocol level. In Ethereum, the prevailing trend is to deploy these “DApps” through App Coins, a way for developers to build specially marked tokens to power applications on an existing network which can be converted in-and-out of the main network token.

While Tezos permits the creation of App Coins, we do not focus on them. If an application is particularly valuable to the network, we believe it should be folded into the protocol. Though we do not know exactly yet which features will be voted into the protocol level by the network, some applications seem to have widespread appeal in similar projects: prediction markets, DNS systems, on-chain node identity, debt networks (à la Stellar), decentralized exchanges, file storage, and cloud computing. More exotic or specialized applications, such as the Numéraire project, are probably better fits for App Coins as they have less explicitly general appeal.

Unproven systems ought to innovate at the leaves, while tried-and-true features ought to have a way to make the network more valuable by integrating at the protocol level. This is not purely for the sake of creating more valuable networks but also for ensuring consistency of execution.

6.3 RESEARCH GOALS

The initial development team’s research goals represent longer term developments or ideas to push out of the lab and deploy.

6.3.1 ZERO-KNOWLEDGE PROOFS OF KNOWLEDGE

Right now, the Tezos development team is fascinated with a new development in zero-knowledge proofs: STARKs. Unlike SNARKs, STARKs do not require a trusted setup. They also rely on simpler mathematics and are more efficient to compute. However, the proof time of STARKs is still cumbersome.

6.3.2 PROOF-OF-STAKE

The team is interested in researching different proof-of-stake consensus algorithms offering stronger guarantees and scalability. This is a burgeoning field and interesting proposals such as Ouroboros, Algorand, Honey Badger and Snow White have been appearing at higher frequency.

6.3.3 INCENTIVE COMPATIBLE GOVERNANCE

Moving beyond technology, the Foundation will also try to sponsor research focusing on decentralized governance and incentive structures.

tezos.com

IF THE FOUNDATION IS ENDOWED WITH...



Note: all amounts in \$1,000

	CURRENT	\$6,000+	\$12,000+	\$20,000+	MOONSHOT	MARS-SHOT
Engineering	Continue development with our current team.	Push work on v2 by the foundation. Attempt a secondary issuance in conjunction with the release of the new version.	Directly hire additional talent from ETH Zurich for full-time code maintenance in Switzerland.	Grow the team with other experienced, academically oriented engineers.	Hire talented teams of engineers and designers to build direct consumer applications through strategic acquisition of tech companies.	Deploy and silo several teams of engineers to build different candidates for upgrades. Evaluate empirically the best proposals and merge them.
Headcount	6	6	10	15		
Yearly rate	\$900	\$900	\$1,500	\$2,250		
Research	Continue our use of PhD candidates to work on formal verification.	Keep our current approach, strategically engage the formal verification community.	Contract a team of academics to research and help build v2 consensus algorithm, followed by research on zk-STARKs.	In addition, join the IC3 team as a sponsor.	Offer competitive salaries to attract experts on formal verification to work exclusively on the protocol. Set up an institution a la IC3 in Europe.	Sponsor a leading computer science department with endowed professorships and extensive grants to graduate students in the field of formal verification.
Yearly rate	\$0	\$0	\$300	\$700		
Communications & Marketing	Continue working with our communications consultancy.	Continue working with our communications consultancy.	Host an annual developer conference in Europe and retain current communications consultancy.	Conduct three annual developer conferences (EU, US, Asia), retain current communications consultancy, run ad campaigns.	Sponsor an online magazine to cover major debates. Pay to publish a hash of the Tezos blockchain in a reputable outlet like the Financial Times or The New York times (à la Guardtime).	Acquire mainstream print and TV media outlets to promote and defend the use of cryptographic ledger in society.
Yearly rate	\$120	\$120	\$370	\$1,000		
Legal Services	After the fundraiser, the Foundation will pay for its own legal expenses through MME.	Retain our counsel and start exploring, as a failsafe, alternative legal structures or advocacy for the Foundation beyond the Swiss Cryptovalley.	Retain our counsel and start exploring, as a failsafe, alternative legal structures or advocacy for the Foundation beyond the Swiss Cryptovalley.	Retain our counsel and start exploring, as a failsafe, alternative legal structures or advocacy for the Foundation beyond the Swiss Cryptovalley.	Lobby municipalities and local governments to use formally verified smart contracts as a form of binding legal contract.	Fund efforts to digitize and map transaction logic from traditional legal prose to a Tezos language.
Yearly rate	\$100	\$250	\$250	\$250		
Business Development	Kathleen Breitman manages all non-technical efforts.	Hire one strong former management consultant to assist in interfacing with vendors and service providers.	Hire two seasoned former management consultants and a community manager to engage with token holders.	Hire a blend of junior & senior business development talent, as well as a business development person in China and a community manager.	Purchase a banking license and deploy the Tezos blockchain as a backbone for business operations. Experiment with automation using a blockchain for basic processes.	Negotiate with a small nation-state the recognition of Tezos as one of their official state currencies, which would immediately give Tezos favorable treatment in terms of financial regulation. Attempt negotiations to purchase or lease sovereign land.
Yearly rate	\$0	\$250	\$450	\$750		
Education		Produce a series of online Michelson tutorials with videos and exercises.	Produce in addition an OCaml MOOC geared towards increasing our potential developer base.	Also run a quaterly Tezos school focusing on protocol development in OCaml and smart contracts.	Offer student grants for conducting projects related to the Tezos ecosystem and subsidize OCaml education in universities.	Run a development school with emphasis on functional programming and safe smart contract construction.
Yearly rate	\$0	\$50	\$125	\$350		
Annual Rate	\$1,120	\$1,570	\$2,995	\$5,600	\$10,000 - 15,000	\$20,000 and above

Contact

contact@tezos.com



EXHIBIT 7

Gevers plans to reboot embattled Tezos Foundation

By Matthew Allen

JAN 19, 2018 - 15:41



Gevers has been embroiled in a fierce and personal battle with the Breitmans (Keystone)

Tezos Foundation president Johann Gevers has tweeted plans to rebuild the Tezos Foundation as a “heavily weighted” Swiss project. This follows a months-long ongoing feud with the French-American Tezos creators Arthur and Kathleen Breitman.

"After months of incapacitating interference, obstruction, and attacks, the Tezos Foundation has regained the ability to act," Gevers tweeted on Friday.

"To be clear: the Tezos Foundation is a Swiss foundation, based in Crypto Valley, Switzerland, and its top leadership teams will be heavily Swiss-weighted. Physical proximity and cultural fit is especially important initially, to build trust and productive working relationships."



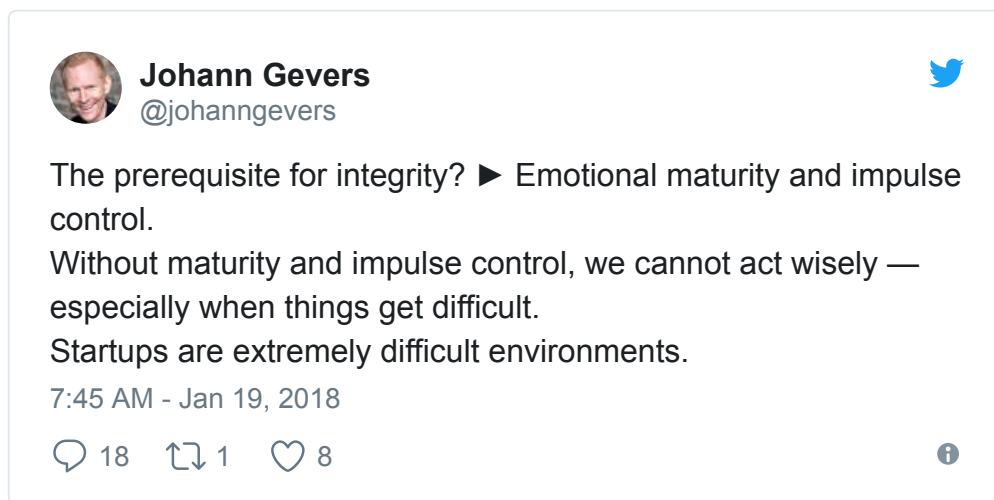
He said the foundation is recruiting "proven achievers" to fill board, advisory and executive positions.

"For those seeking to understand what happened at Tezos — both its successes and its failures: 'In a high-trust environment, the impossible becomes possible. In a low-trust environment, even the possible becomes impossible,'" Gevers said in a series of tweets.

Damaging accusations

The Tezos Foundation, a cryptocurrency startup located in Switzerland's so-called "Crypto Valley" near Zug, has been embroiled in a months-long conflict between Gevers and the Breitmans over accusations that Gevers mismanaged its funds, which he has denied.

Several key Tezos and Tezos Foundation figures are also the subject of pending lawsuits in the United States where investors are seeking to recoup assets they argue were mismanaged.



Gevers tweeted his plans to reboot the foundation just after delivering a thinly-veiled attack on the Breitmans' leadership at this week's Crypto Finance Conference in St Moritz. While he did not name anyone specifically, Gevers left little to the imagination with his message as shown on slides of his presentation obtained by swissinfo.ch.

Maturity needed

"In its focus on creating a technology for governance the project overlooked the critical importance of people," read one of his presentation slides, which went on to attack "all approaches that ignore the fundamentally complex, dynamic, holistic nature of reality, and use simplistic, static, reductionist methods".

"Without maturity and impulse control, we cannot act wisely," read another slogan.

Arthur Breitman told swissinfo.ch that he had no comment on the development. Gevers did not add any more detail or name anyone involved in his plans for the Tezos Foundation, but he said more information would be revealed shortly.

Foundation director Diego Pons did not respond to a request for comments while Kathleen Breitman made no mention of any changes during her speech at the Crypto Finance Conference on Thursday.

Tezos and Tezos Foundation

Tezos launched with much fanfare last summer, promising to build a new system of democratic blockchain governance that would solve differences of opinion without the need for opposing sides to shear off into separate factions.

The idea persuaded people to contribute \$232 million (\$243 million) in the form of cryptocurrencies in the space of a few days. These funds were then transferred to the Tezos Foundation, set up in July to continue funding the project whilst creating some

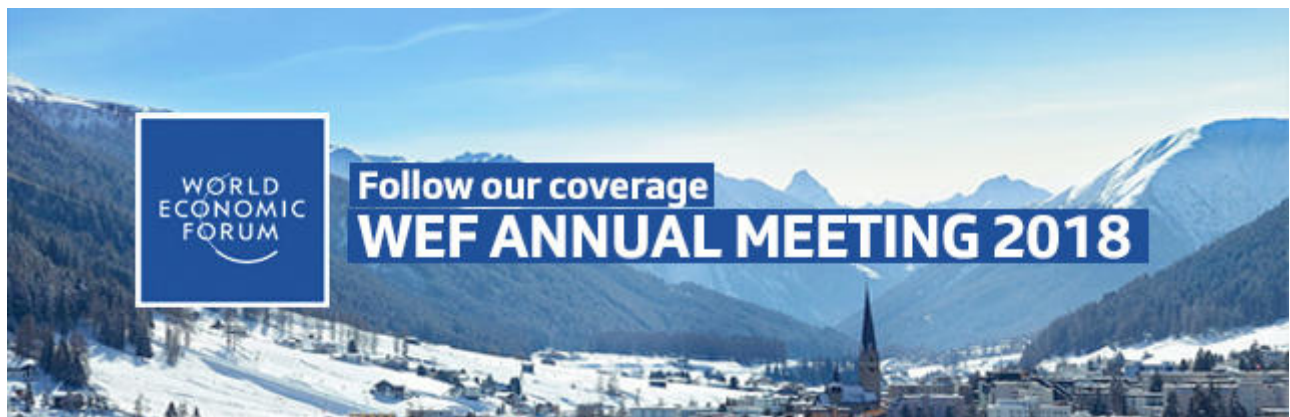
distance between the Breitmans, their company Dynamic Ledger Solutions, and the assets raised from the public.

The dramatic rise in the value of cryptocurrencies since then swelled that pot to more than \$1 billion.

One of the three original Tezos Foundation directors, Guido Schmitz-Krummacher, walked away in December. The Swiss Foundation Supervisory Authority has given the foundation until the end of the month to find a successor.

In theory, the supervisory authority has the power to revoke board decisions, issue criminal complaints, or in extreme cases, remove board members.

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EXHIBIT 8

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#BUSINESS NEWS

DECEMBER 12, 2017 / 1:38 PM / A MONTH AGO

Tezos director resigns, sowing more uncertainty at crypto startup

Steve Stecklow, Brenna Hughes Neghaiwi



LONDON/ZURICH (Reuters) - One of the three board members of the Swiss foundation that conducted the online fundraiser for the embattled Tezos cryptocurrency tech project has resigned, Reuters has learned.



Photo illustration shows detail of Tezos website, October 10, 2017. REUTERS/Dado Ruvic/Illustration

The departure on Monday of Guido Schmitz-Krummacher, a Swiss legal and management expert, is likely to add further turmoil to the project, which raised \$232 million in cryptocurrencies in July.

The project has been embroiled in a battle over control between its founders, Arthur and Kathleen Breitman, and the president of the Zug-based Tezos Foundation, Johann Gevers. Reuters detailed the feud in October. [Read the full investigation.](#)

Schmitz-Krummacher resigned because he was frustrated by the infighting, which was consuming a lot of his time, according to information obtained by Reuters. He sits on several dozen Swiss boards.

Under the foundation's bylaws, Gevers gets to nominate Schmitz-Krummacher's replacement. If the third board member votes against the candidate, Gevers can cast an overriding vote.

The Breitmans declined to comment. Representatives for the board did not respond to requests for comment.

The Breitmans own the Tezos source code through a Delaware-based company they control, but the Tezos Foundation controls all of the fundraiser's proceeds.

The standoff has delayed the Tezos project's launch. Contributors to the fundraiser, known as an "initial coin offering," have not received new digital coins, called Tezzies. Their contributions were made in bitcoins and ether, two other cryptocurrencies whose values have surged.

A group of Tezos supporters who launched an online petition seeking Gevers' resignation or dismissal reiterated that demand on Tuesday. They called for the board to unanimously elect a replacement for Schmitz-Krummacher who is "completely independent," with no ties to current or former board members. More than 1,200 people have signed the petition.

The Breitmans, their Delaware-based company and the foundation are facing three class-action lawsuits in the United States. Plaintiffs allege federal securities law violations and that the fundraiser defrauded participants, who were told they were making non-refundable donations to the foundation. The lawsuits are seeking refunds and damages.

Reuters reported on Dec. 1 that the Breitmans want the foundation to cover their legal costs. The foundation has not agreed to the request. Doing so would mean that contributors to the foundation would be indirectly footing the bill.

According to Swiss filings, the foundation's regular auditor resigned in late November. An independent auditor is now examining allegations made by the Breitmans of wrongdoing by Gevers, which he denies. That auditor's report has not been completed.

Reporting by Steve Stecklow in London and Brenna Hughes Neghaiwi in Zurich; editing by Lauren Tara LaCapra and Clive McKeef

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EXHIBIT 9

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Wallet (https://wallet.bitcoin.com/)

BTC/USD
\$11163BCH/USD
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(https://ordbtc.com/price/bitcoin.com/)

ALTCOINS



(https://news.bitcoin.com/wp-content/uploads/2018/01/tezos-battle.jpg)

Tezos, last year's most notorious ICO, is back in the news and once again it's for all the wrong reasons. The blockchain project, with its promise of decentralized governance, was hailed as a paragon of success after raising \$232 million in 2017. Then, things

president, Johann Gevers, was accused of operating a dictatorship as the acrimony intensified.

Also read: Grayscale Will Launch Stock Split for Bitcoin Trust Shares

(<https://news.bitcoin.com/grayscale-will-launch-stock-split-for-bitcoin-trust-shares/>)

When Blockchain Goes Wrong

For investors who contributed to Tezos' July crowdsale, the ensuing six months have been agonizing and expensive. Bitcoin traded for \$2,000 back then and ethereum went for a little over \$200. Had things played out differently, many investors would have flipped their tokens long ago once the platform went live. The Tezos imbroglio has cost them at least 8x their investment.



Tezos Foundation president Johann Gevers

On Tuesday, Johann Gevers, the Tezos Foundation president, outlined his vision for relaunching the project with an all-Swiss team at the top. In the weeks prior, Gevers had received a number of applications to help lead the new-look Tezos Foundation, and supporters were confident that these appointments would add the much-needed

Diego Pons to the candidates revealed:

[Tezos] Your candidacy has been vetoed

All, You were all nominated by me as candidates to the board of the Tezos Foundation for the contributions I believe you could have brought to this project.

I profoundly regret to inform you that Johann Gevers has vetoed all your candidacies because you are not Swiss residents, are not "compatible with the Swiss mentality", "are all already linked to the Breitmans" and because your skills are not required in the Tezos board. The board has decided per vote (1 vs 1) that only one new board member will be appointed, which for technical reasons restricts the candidates to only Swiss residents. Thereafter, you will not be interviewed by the board.

Our PR firm will release an official statement explaining the situation in the upcoming weeks. With my deepest apologies for the trouble I have caused you. Diego

Three days later, Gevers despatched a series of rambling tweets doubling down on his message. Quoting Elon Musk, he wrote: "Building a startup is like staring into the abyss of death and eating glass" and then followed up

(<https://twitter.com/johanngevers/status/954338290366320640>): "The Tezos Foundation is a Swiss foundation, based in Crypto Valley, Switzerland, and its top leadership teams will be heavily Swiss-weighted. Physical proximity and cultural fit is especially important initially, to build trust and productive working relationships."

Storecoin's Chris McCoy who attended a Swiss blockchain conference where Gevers outlined his plans last week, tweeted

(<https://twitter.com/chrisamccoy/status/955145308777758720>):

This Gevers character came across as a sociopath dictator extraordinaire. His speech was some weird shit. I'm now unsure how this plays for Tezos, the blockchain protocol. Very unfortunate.

Storecoin's head honcho is not alone in having grave reservations about Gevers' character. An extraordinary Google Document (https://docs.google.com/document/d/1RPLgYqULFQwzk3JZok8Q7OtkZYEyJNtfi24mXh_xlcU/edit) assembled by the Tezos community goes through the foundation president's professional history, pinpointing a string of failed businesses and unsubstantiated claims the executive has made. It scathingly notes: "The number of failures that Mr. Gevers has launched is both impressive and shocking for someone allegedly qualified in matters of accounting, law and business." It finishes:

The Tezos Community vehemently opposes keeping Mr. Johann Lothar Gevers as the President of the Tezos Foundation for reasons enumerated in a widely circulated and supported Petition, and subsequent press release, signed by over 1600 contributors and well known members of the crypto community from over 95 countries, in December, 2017. The Tezos Community Petition requests Mr. Gevers' immediate removal from the board.

Handbags and Bad Blood

The soap opera that is Tezos has been popcorn for cryptocurrency observers, but for those still waiting for their "new digital commonwealth" to appear, the debacle has been wearisome. Regardless of Johann Gevers' business acumen, he seems to have a knack for making enemies. Over the past three months, he's somehow managed to alienate the Breitmans, his foundation colleagues, the Tezos community, executive applicants, and numerous crypto luminaries, who've been watching the situation



constructed. Now all it needs is a crew capable of sailing it.

Do you think the Tezos platform can still prove a success, or has that ship sailed? Let us know in the comments section below.

Images courtesy of Shutterstock and Keystone.

Make your voice heard at [vote.Bitcoin.com](http://vote.bitcoin.com) (<http://vote.bitcoin.com>). Voting requires proof of bitcoin holdings via cryptographic signature. Signed votes cannot be forged, and are fully auditable by all users.

(<https://news.bitcoin.com/author/kaisedgwick/>)

Kai Sedgwick (<https://news.bitcoin.com/author/kaisedgwick/>)

Kai's been playing with words for a living since 2009 and bought his first bitcoin at \$19. It's long gone. He's previously written white papers for blockchain startups and is especially interested in P2P exchanges and DNMs.



(<https://twitter.com/bitcoin101>)

EXHIBIT 10

Introduction

The entire world is watching as the story of the Tezos Foundation's mismanagement unfolds, speculating on the actions of board members, regulators, and lawyers representing US class action lawsuits. It is fair and prudent that we investigate and thoroughly vet the individual now at the helm of the Tezos Foundation, and bring some light to the Crypto Valley's intricate web of relationships. The Community hopes that this insight will spur the Swiss regulatory authorities to investigate and salvage the reputation of the Crypto Valley, which states among its core values "Trust, Transparency, and Integrity."¹ For the purposes of this article we delve into the professional life of Mr. Johann Lothar Gevers in order to shed some light on how the Tezos Foundation has ended up in such an awful state with him at the helm.

Johann Lothar Gevers

Mr. Gevers' autobiography depicts an idealist libertarian growing up in South Africa as a descendent of German missionaries. He grew up playing with Zulu children, immersed in African culture. His place of birth, named "Vryheid" in South Africa, translates from the Afrikaans as "Freedom," a concept that would drive him his entire life.² Mr. Gevers' involvement with cryptocurrency, blockchain and digital ledger technologies is first documented in September 2012³, and appears to be a natural extension of his libertarian philosophy. His association with libertarian movements and projects of the 1990's/2000's shows early attempts at establishing anonymous monetary systems utilizing encryption, developing societies/communities echoing the teachings of Ayn Rand, and even autonomous floating cities in the ocean. Mr. Gevers is presently best known for "initiating" the Crypto Valley Association,⁴ which seeks to transform the Swiss Canton of Zug into an "ecosystem for crypto technologies and businesses." His personal project, The Monetas Platform, is presently in bankruptcy proceedings⁵. As he claims extensive achievements in both academic and professional experience spanning accounting, investing, consulting, auditing and serial entrepreneurship, one might expect the organizations that Mr. Gevers helms as President to be successful, but his history suggests something entirely different.

An initial review of Mr. Gevers' name yields a strange labyrinth of various companies he has been involved in. In the context of an independent business consultant and/or auditor, this is not necessarily unusual. However, a noticeable pattern emerges: the majority of these companies end up in dissolution, bankruptcy or seem to disappear without a trace. This will be discussed in more detail, but for now, let us focus on his education, credentials and business networks to understand why he was highly recommended by MME Legal Tax Compliance AG to lead the Tezos Foundation, and how the Tezos Foundation came to be an almost predictable failure in management.

¹ <https://cryptovalley.swiss/crypto-valley-values/>

² <https://web.archive.org/web/20060810151552/http://johanngevers.com:80/bio>

³ <https://bitcointalk.org/index.php?topic=112492.0>

⁴ <https://cryptovalley.swiss/about-the-association/>

⁵ <https://drive.google.com/file/d/1G09Cy8K6ThXx-IP76J5Bgl4lcmYgawbG/view?usp=sharing>

Claimed Formal Education^{6 7 8}

- 1982: Graduated from Hermannsburg German School, in South Africa⁹
- 1988: Earns BSc, Mathematics, Psychology from University of the Witwatersrand
- 1990: Earns BA, Philosophy, Logic from University of South Africa
- 1994: Earns HonsBCompt, Accounting; Auditing, Tax from University of South Africa
- 1995: Earns CA from PAAB, in South Africa
- 1998: Earns CFA from CFA Institute¹⁰
- 2008: Studies Economics, Law at University of British Columbia, Canada

Mr. Gevers' education in Accounting, Economics, Mathematics and Law suggests skillful competence in management and success, so it is surprising that his ventures have suffered repeated, documented failures, including personal bankruptcy on September 9th, 2010¹¹. In fact, other than successfully "initiating" the Crypto Valley Association, it is difficult to discern in a review of his many ventures, any semblance of management success.

Professional Experience

Mr. Gevers' stated resume and personal website suggest professional experience spanning a wide range: scientist; trumpet player; from auditor to a massage therapist¹²; and, many things in-between. In the late 80's, he worked as a social scientist at HRSC for approximately two years, followed by a less than one year stint as a consultant for "The Concept Factory." After that, he assumes the role of senior auditor at BDO in South Africa for two years, and then he becomes Portfolio Manager at "Investment Companies" for approximately three years¹³.

From 1999 - 2011, an entrepreneurial period, he worked as an "Independent Business Consultant"¹⁴ and shifted in and out of companies while also setting up his own ventures. Following are some of the known activities Mr. Gevers undertook during this period.

"Currently, in addition to my work on building free societies, I consult to high-tech companies...I was a professional trumpet player for two years...I am a certified massage therapist, and trained in Somatic Experiencing." Johann Gevers - 2007¹⁵

Laissez Faire City

(Status: **Dissolved** as of 2002)

⁶ http://web.archive.org/web/20081006114512/http://johanngevers.com/Johann_Gevers_resume.pdf

⁷ <http://johanngevers.com/projects/>

⁸ <https://www.linkedin.com/in/johanngevers/>

⁹ http://www.safrika.org/Names/DSH_Namen.html

¹⁰ <https://www.cfainstitute.org/community/membership/directory/pages/results.aspx?uid=215980>

¹¹ <https://drive.google.com/file/d/1ETY82ca6nAgFju8oHI2gPUPL9uNM0o35/view?usp=sharing>

¹² <https://web.archive.org/web/20071226191949/http://johanngevers.com:80/index>

¹³ http://web.archive.org/web/20081006114512/http://johanngevers.com/Johann_Gevers_resume.pdf

¹⁴ http://web.archive.org/web/20081006114512/http://johanngevers.com/Johann_Gevers_resume.pdf

¹⁵ <https://web.archive.org/web/20071226191949/http://johanngevers.com:80/index>

Mr. Gevers purchased his first “Founder’s Position” and second “Founder’s Position” in 2000, and 2001 respectively, actively participating in establishing Laissez Faire City (LFC) in Costa Rica.¹⁶ The LFC Founders Association hired Mr. Gevers as an independent auditor at the end of 2001, and in February 2002, LFC was dissolved, and he was assigned as liquidator of the assets on January 23, 2003^{17 18}. To this day, LFC investors still question Mr. Gevers’ role in LFC, and a search for Laissez Faire City will see show his name amidst claims of “embezzlement and mismanagement”¹⁹. Whether any of the allegations are true is hard to say, but suspicions are numerous and well documented online. Laissez Faire City was an attempt to create an autonomous society free of control of the Costa Rican government. The concept was inspired by Ayn Rand’s writings, which seems to have had a profound impact on Mr. Gever’s sense of his own ultimate and final autonomy and unwillingness to be bound by laws and societal restraints. “Laissez Faire” translates from the French as “leave alone,” hence the denial of being subject to governance. Due to the nature of the project, it is suspected that some participants used aliases²⁰ during that time for purposes that are not yet clear. LFC’s website in 2001 proudly advertised: “You are invited to join the highest achieving group of individualists ever to assemble for their own mutual benefit, the first five thousand Founders of Laissez Faire City”²¹ The site sold “Founder’s Positions” to those eager to get involved.

TEGRA Corporation

(Status: **Dissolved** as of 2005)

On February 14, 2003, three weeks after being appointed liquidator of Laissez Faire City International Trust (LFCIT)²², Mr. Gevers set up TEGRA Corporation in Las Vegas, Nevada²³. Publicly available information shows that he held all three positions in that company: President, Secretary and Treasurer. Tegra Corporation status is listed as “Permanently Revoked” as of February 28, 2005²⁴, which means the company lasted about two years. Searching online for any references to services offered by Tegra Corporation yields no results of substance, leading one to believe that the company was set up as a shell and never truly active in any meaningful capacity.

Adaptive A.I. / a2i2 / Smart Action

(Status: **Active**)

¹⁶ <http://archive.li/qVLGn>

¹⁷ <http://web.archive.org/web/20031001183425/http://lfcfa.com:80/founders/index.html>

¹⁸ <https://bitcointalk.org/index.php?topic=788886.20>

¹⁹ <https://www.offshorealert.com/forums.aspx?g=posts&t=37064>

²⁰ <http://freenation.org/a/f63k1.html>

²¹ <https://web.archive.org/web/20001027011444/http://lfcity.org:80/>

²² <https://www.offshorealert.com/forums.aspx?g=posts&t=37064>

²³ <https://www.nevada-register.com/473502-tegra-corporation>

²⁴ <https://www.nevada-register.com/473502-tegra-corporation>

Mr. Gevers states that he was an advisor for a2i2²⁵, which appears to be a DBA for Adaptive A.I. Inc. His advisory role would have occurred in 2002, and coming so soon after the LFCIT liquidation, raised further suspicions among LFC investors²⁶. The reason for the suspicions is that Peter Voss, founder of Adaptive A.I. Inc, publicly stated that Johann Gevers had “made an initial contribution and is increasing his holding monthly”²⁷. Peter Voss claimed on his website that Adaptive A.I. Inc was founded in December, 2001²⁸, however public records show that he actually founded the corporation on July 4, 2002²⁹, at the time of dissolution of LFC. The company then showed little activity from 2002 to 2008, besides soliciting donations, until 2009, when it launched its “Smart Action Virtual Agents” products under its Smart Action subsidiary (founded on December 26, 2008 with help from Mr. Gevers³⁰). Adaptive A.I. now shows as being registered to Thomas Lewis in 2016, and the original adaptiveai.com domain as well as Peter Voss’ website (optimal.org) redirect or link visitors to smartaction.com. It is unclear whether a2i2/Adaptive A.I. or its Smart Action subsidiary was successful in any capacity.

Freedom Universal

(Status: **Unknown**)

Mr. Gevers was the founder and president of two libertarian-inclined institutes that he proudly mentions on his resume and website. The first of these two institutes is “Freedom Universal.” Intensive searching of public records in the United States and Canada does not reveal any company information regarding Freedom Universal, except for the website that Mr. Gevers himself created. This suggests that Freedom Universal was not an actual Institute or company in any formal sense, though it was publicly soliciting sponsorships and donations.³¹ The website for Freedom Universal was set up on August 14, 2005, seeking participation and donations from those who “want to contribute to the growth and flourishing of freedom on a hitherto unparalleled scale.”³² The still-unchanged website is currently active, and still solicits donations through PayPal. The achievements of Freedom Universal are unclear, as well as what has happened to the donations that it solicited and received.

Even more disturbing is what appears to be a lack of formal legal registry for accepting donations and the tax consequences thereof, a possible serious and continual violation of law.

²⁵ <https://web.archive.org/web/20071226191949/http://johanngevers.com:80/index>

²⁶ <https://bitcointalk.org/index.php?topic=150803.8430>

²⁷ <https://web.archive.org/web/20120621101537/http://www.adaptiveai.com/news/oldnews.htm>

²⁸ <https://web.archive.org/web/20061231123142/http://www.adaptiveai.com:80/>

²⁹

<https://businesssearch.sos.ca.gov/CBS/SearchResults?SearchType=CORP&SearchCriteria=Adaptive+A.I.&SearchSubType=Keyword>

³⁰ <https://web.archive.org/web/20170322210117/http://johanngevers.com/projects/>

³¹ <https://web.archive.org/web/20161019005331/http://instituteoffreedom.org/community>

³² <https://web.archive.org/web/20161019010359/http://instituteoffreedom.org/mission>



Johann Gevers, as President of The Institute for Freedom, attending an Interview with Marc Emery, Leader, BC Marijuana Party on June 7, 2007.

Institute for Freedom

(Status: **Unknown**)

Closely associated with the Freedom Universal project is another of Mr. Gevers' creations, the Institute for Freedom. The site is a virtual clone of the Freedom Universal website and similarly collects donations³³ in order to build a "Free, Just and Prosperous Society." As before with Freedom Universal, the website has remained unchanged since its inception, suggesting it never became active or relevant in any significant way. Additionally, there is no public record of the Institute for Freedom being formally set up as an institution or company in the United States or Canada. One of the stated goals of the Institute for Freedom was to write and publish a Constitution for a freer society; the short-form constitution was written by Mr. Gevers in 2005, although 12 years later the website still promises that "the full, detailed statement is being developed and refined in collaboration with experts in the fields of law, economics, political science, and public policy."³⁴ It appears that Mr. Gevers was the institute's sole employee, acting as President. It is yet unclear how the donations were reported for tax purposes, and whether local laws were followed for registration of charitable organizations.

Empire Gaming LTD

(Status: **Bankrupt** as of 2009)

³³ <https://web.archive.org/web/20161019005331/http://instituteforfreedom.org/community>

³⁴ <https://web.archive.org/web/20161019130504/http://freedomuniversal.com/constitution>

On March 4, 2006, Johann Lothar Gevers was registered as Secretary of Empire Gaming LTD³⁵, a video game company located in the UK, with his home address listed to an apartment in South Africa³⁶. Shortly thereafter, the company was sold to Silverstar Holdings in December, 2006, and in 2009, Empire Gaming LTD filed for bankruptcy³⁷.

Gevers Investments

(Status: **Unknown**)

In 2008, Mr. Gevers references an unknown entity named “Gevers Investments” on his resume, claiming operation between 1996 - 1998 and 2003 - Present³⁸. By his own assessment, he “Grew Gevers Investments’ AUM by 2,900% in less than 2 years—from 3 clients investing \$100,000 to 40 clients investing \$3 million.”, with a return of 275%.³⁹ No public records for Gevers Investments could be found in the United States or Canada, suggesting that this was not set up as a company in any formal sense, which raises questions especially given his subsequent filing for personal bankruptcy in 2010. Laws also require that an investment advisor be registered and licensed, and in the United States that certain rules on “accredited investors” be followed.

Personal Bankruptcy

(Status: **Bankrupt** as of 2010 - March 2011)

On September 9, 2010, public records from the Vancouver Law Courts show that Johann Gevers personally filed for bankruptcy in *VLC-S-B-101462 MEYERS NORRIS PENNY LIMITED v GEVERS, Johann*.⁴⁰

Future Cities Development Inc

(Status: **Dissolved** as of 2012)

On August, 2011, Mr. Gevers worked for several months helping to found Future Cities Development Inc⁴¹, conceptually similar to Laissez Faire City, but located in Honduras. On October 19, 2012, Future Cities Development Inc ceased operations⁴², claiming a change in government laws that previously enabled the setting up of semi-independent government systems.

Lifeboat Foundation

(Status: **Active**)

³⁵ <https://companycheck.co.uk/company/05735622/EMPIRE-GAMING-LTD/companies-house-data>

³⁶ <https://drive.google.com/file/d/1Him5U3LwPf40clxzoBgkm2JlmxmsVfGe/view?usp=sharing>

³⁷ https://en.wikipedia.org/wiki/Empire_Interactive

³⁸ http://web.archive.org/web/20081006114512/http://johanngevers.com/Johann_Gevers_resume.pdf

³⁹ http://web.archive.org/web/20081006114512/http://johanngevers.com/Johann_Gevers_resume.pdf

⁴⁰ <https://drive.google.com/file/d/1ETY82ca6nAgFju8oHI2gPUPL9uNM0o35/view>

⁴¹ <https://web.archive.org/web/20170322210117/http://johanngevers.com/projects/>

⁴² <https://web.archive.org/web/20121123151100/http://www.futurecitiesdev.com:80/about-us/>

On December 10, 2013, Mr. Gevers joined the Finance Board of the Lifeboat Foundation.⁴³ The Lifeboat Foundation's mission is to use cutting edge technologies to safeguard humanity from extinction. To that end, its website states that the "Lifeboat Foundation is pursuing a variety of options, including helping to accelerate the development of technologies to defend humanity such as new methods to combat viruses, effective nanotechnological defensive strategies, and even self-sustaining space colonies in case the other defensive strategies fail."⁴⁴ The foundation was registered in 2002 as a US domestic, tax-exempt, non-profit public charity in Nevada.⁴⁵ Its website has been receiving cryptocurrency donations for a number of years. It's BTC donation wallet currently contains an amount exceeding 100 BTC, worth approximately \$1.5m USD by current BTC valuation⁴⁶.



“Welcome to the Lifeboat Foundation! Our goal is to save the human race from extinction.”
- Lifeboat Foundation

Bitcoin Association Switzerland

(Status: **Active**)

Mr. Gevers claims to have co-founded the Bitcoin Association Switzerland in 2013.⁴⁷ However, reviewing the association website yields no mention of him as a participating founder and does not indicate any continual involvement.⁴⁸ Attempts at verification have yielded no confirmation. Though he may well have been involved, it fits a troubling pattern of setting up organizations to gain recognition and later failing to meaningfully contribute to them.

Monetas AG

(Status: **Bankrupt** as of 2017)

On September 24, 2012, Mr. Gevers founded Monetas AG⁴⁹ with the promise that “Monetas is building the infrastructure for a free and prosperous world,” allowing “transactions about 1,000 times faster and 1,000,000

⁴³ <https://web.archive.org/web/20171119013326/https://lifeboat.com/ex/whats.new>

⁴⁴ <https://web.archive.org/web/20170830020803/https://lifeboat.com/ex/about>

⁴⁵

<https://nvsos.gov/sosentitysearch/CorpDetails.aspx?lx8nvq=E%252bhsbjR8T1%252fzVKs4KX9EQ%253d%253d&nt7=0>

⁴⁶ <https://web.archive.org/web/20170830020446/https://lifeboat.com/ex/bitcoin#form>

⁴⁷ <https://web.archive.org/web/20170322210117/http://johanngevers.com/projects/>

⁴⁸ <https://www.bitcoinassociation.ch/>

⁴⁹ <http://www.schweizer-handelsregister.com/ZG/Zug/Monetas+AG.html>

times cheaper than the Bitcoin network.”⁵⁰ While he continued to praise the improvement of Monetas to his investors as recently as November 30, 2017⁵¹, the bankruptcy of the company was made public on December 11, 2017⁵². The failure to notify shareholders in a timely manner of the actual state of the company, perhaps even misleading them, may have violated Swiss law. Also troubling is the apparent near total lack of development of the Monetas software over a period of five years. If the Github⁵³ repository is where all of the code is held, there appears to have never been a functioning product. In addition, a former key member of the Monetas team has described Mr. Gevers’ terrible management of the entity⁵⁴ and a news reporter has spoken to several former Monetas employees or investors. “Goodwill towards the founder of the now defunct Monetas is practically non-existent.”⁵⁵ For these persons, the end of Monetas was foreseeable.

Crypto Valley Association and Crypto Valley LLC

(Status: **Active**)

In 2014, Mr. Gevers helped to found the Crypto Valley Association (CVA) in Zug, Switzerland, whose statement declares “The CVA is an independent, government-supported association established to take full advantage of Switzerland’s strengths to build the world’s leading blockchain and cryptographic technologies ecosystem.”⁵⁶ Membership in the CVA must be purchased, and as with past websites linked to Mr. Gevers, the CVA website solicits donations, although it is unclear what the donations are actually used for. Currently, Mr. Gevers is not listed as one of the association’s board members, and it is unclear when or why he left the organization. This appears to repeat a pattern of Mr. Gevers setting up and taking credit for entities and then abandoning them without continued or meaningful involvement. However, there is also a Crypto Valley LLC, founded in June 2014, with Mr. Gevers as sole partner and manager⁵⁷. The link between both entities is not clear.

Digital Finance Compliance Association

(Status: **Unknown**)

On May 28, 2014, Mr. Gevers founded the Digital Finance Compliance Association (DFCA) in Switzerland along with MME Partners⁵⁸, a think tank specializing in legal and financial consultation for blockchain and tech startups in Switzerland.

⁵⁰ <https://cointelegraph.com/news/bitcoin-not-hot-for-monetas>

⁵¹ <https://drive.google.com/drive/u/1/folders/1PfsBxXoA-6LQDWGe6hIMdE0GqkMsca3G>

⁵² https://www.swissinfo.ch/eng/court-ruling_embattled-start-up-monetas-declared-bankrupt/43746584

⁵³ <https://github.com/monetas>

⁵⁴ <http://www.tezos.help/community-press-release.html>

⁵⁵ https://www.swissinfo.ch/eng/ongoing-row_pressure-mounts-on-tezos-foundation-head-gevers/43775056

⁵⁶ <https://cryptovalley.swiss/>

⁵⁷ <https://www.zefix.ch/en/search/entity/list/firm/1185291?name=Crypto%2520Valley%2520LLC&searchType=exact>

⁵⁸

[https://www.zefix.ch/en/search/entity/list/firm/1183135?name=Digital%2520Finance%2520Compliance%2520Association%2520\(DFC\)&searchType=exact](https://www.zefix.ch/en/search/entity/list/firm/1183135?name=Digital%2520Finance%2520Compliance%2520Association%2520(DFC)&searchType=exact)

In fact, Alexis Roussel, a former board member at DFCA, resigned on October 26, 2017⁵⁹ - although this fact is not reported in the register⁶⁰, citing concerns about how it was being managed and mentioning Mr. Gevers as a possible motive for leaving. Like Mr. Gevers' other projects, DFCA also solicits donations. The BTC donation address shows a total collection for 2014 of approximately 2.25 BTC, which was promptly withdrawn⁶¹. The total value of the contribution was equivalent to about \$1,041.14 in 2014. As with the CVA, no significant activity can be attributed to DFCA. Again, Mr. Gevers appears to have set up the DFCA for personal recognition. This also results from Mr. Roussel's statement⁶² The DFCA website has been down for a period of time.



Alexis Roussel announces he is resigning from the DFC board, hinting at possible concerns in Mr. Gevers' management of the association.

Tezos Foundation

(Status: **Active**)

The Tezos Stiftung was founded by acting President of the Board Johann Lothar Gevers and is registered as a non-profit foundation in Switzerland. The Tezos Blockchain Protocol was invented by Arthur Breitman, and its intellectual property (IP) is held by Dynamic Ledger Solutions, Inc. (DLS), whose CEO is Kathleen Breitman, his wife. Kathleen and Arthur Breitman are commonly known as "The Founders." It was decided that funds would be raised from contributors and held by the Tezos Foundation, which would fund the initial development to launch the protocol as well as provide resources for improvements, development, promotion, and community

⁵⁹ https://twitter.com/alexis_roussel/status/923353308315701250

⁶⁰ <https://zg.chregister.ch/cr-portal/auszug/auszug.xhtml?sessionid=74bb0c3ffa8a413a56688997a60d?uid=CHE-288.405.265#>

⁶¹ <https://blockchain.info/address/15UcPdDQHMZHRvAvHK2ASahXrjhzY5zwr7h>

⁶² https://twitter.com/alexis_roussel/status/923353308315701250

support in the future.⁶³ The Foundation would then pay DLS an earn out of 8.5% of ICO funds raised, and 10% of the Tezos genesis block, after the network operates as designed for a period of three months.⁶⁴

The Tezos Foundation and DLS are separate entities. DLS owns the IP for the Tezos technology and the Foundation is responsible for funding a team to develop and launch the network using that IP. Due to the Foundation withholding of necessary funds, the Foundation's own development team has been starved for funding, and the Founders have expended their personal savings to actively fund the Foundation's development team and attempt to bring the network to launch. Some developer employees of the Foundation have gone without pay but still continue to work in the hopes of eventually being paid. Other employees have quit the Foundation because of Mr. Gevers' mismanagement.

Though the foundation was only founded on March 21, 2017, it has seen it share of drama since the donation period. One main issue is DLS' allegation that Mr. Gevers attempted to "self-deal" and misrepresent size of a payment to himself while pressuring the other board members to acquiesce. Further to the charges are that Mr. Gevers has failed to fulfill not only the agreement with DLS to fund development to launch, but also to fulfill the Foundation's very charter, which is to support the development of the Tezos protocol through financial disbursement.

This allegation by DLS triggered an audit of the Foundation, which has supposedly been completed under the supervision of one of the board members, Guido Cyrill Schmitz-Krummacher. To date, the audit has not been released, and without disclosing the conclusion or substance of the audit, Mr. Schmitz-Krummacher resigned on December 12th, 2017.⁶⁵

The board now has only two members, Johann Lothar Gevers and Diego Olivier Fernandez Pons. The Tezos Community has been actively pushing the Foundation to communicate and provide an update on the status of the audit and board, but there has been no response for more than three months.^{66 67 68 69}

It is thought that Mr. Gevers has a casting override vote⁷⁰ in selecting a new board member in the case of a tie, and the growing concern in the Community is that he will veto the addition of anyone who agrees to release possible wrongdoings revealed by the audit.⁷¹ Whether such is the case remains to be seen, but Mr. Gevers' history of bankruptcy and company dissolution suggests an awful fate for the Tezos Foundation if he remains at the helm.

A power struggle amid an ongoing audit is not a new experience for Mr. Gevers, who reportedly leveraged his auditor position in the Laissez Faire City project to terminate the Trustee and Receiver, on claims of "obstruction of the audit," by sending an email to each of the ex-board members asking them to approve the

⁶³ https://drive.google.com/file/d/1apRd8x7nAux6zQUE_aE9oxvKHupPN66w/view?usp=sharing

⁶⁴ <https://www.tezos.com/dls>

⁶⁵ <https://www.cnbc.com/2017/12/12/reuters-america-tezos-board-member-resigns-fueling-turmoil-at-cryptocurrency-startup.html>

⁶⁶ <http://www.tezos.help/community-statement.html>

⁶⁷ <http://www.tezos.help/community-statement-2.html>

⁶⁸ <http://www.tezos.help/community-statement-3.html>

⁶⁹ <http://www.tezos.help/community-press-release.html>

⁷⁰ <https://www.cnbc.com/2017/12/12/reuters-america-tezos-board-member-resigns-fueling-turmoil-at-cryptocurrency-startup.html>

⁷¹ <http://www.tezos.help/community-statement-3.html>

termination, which they reportedly did⁷². Such pressure on board members to acquiesce is the management style of Mr. Gevers, as reported by a former Monetas employee⁷³, and it is widely alleged in the Tezos Community-- though without the release of the audit it is difficult to verify-- that Mr. Gevers pressured Mr. Schmitz-Krummacher to not release the audit, as he had similarly pressured the board members earlier to acquiesce to his self-payment.

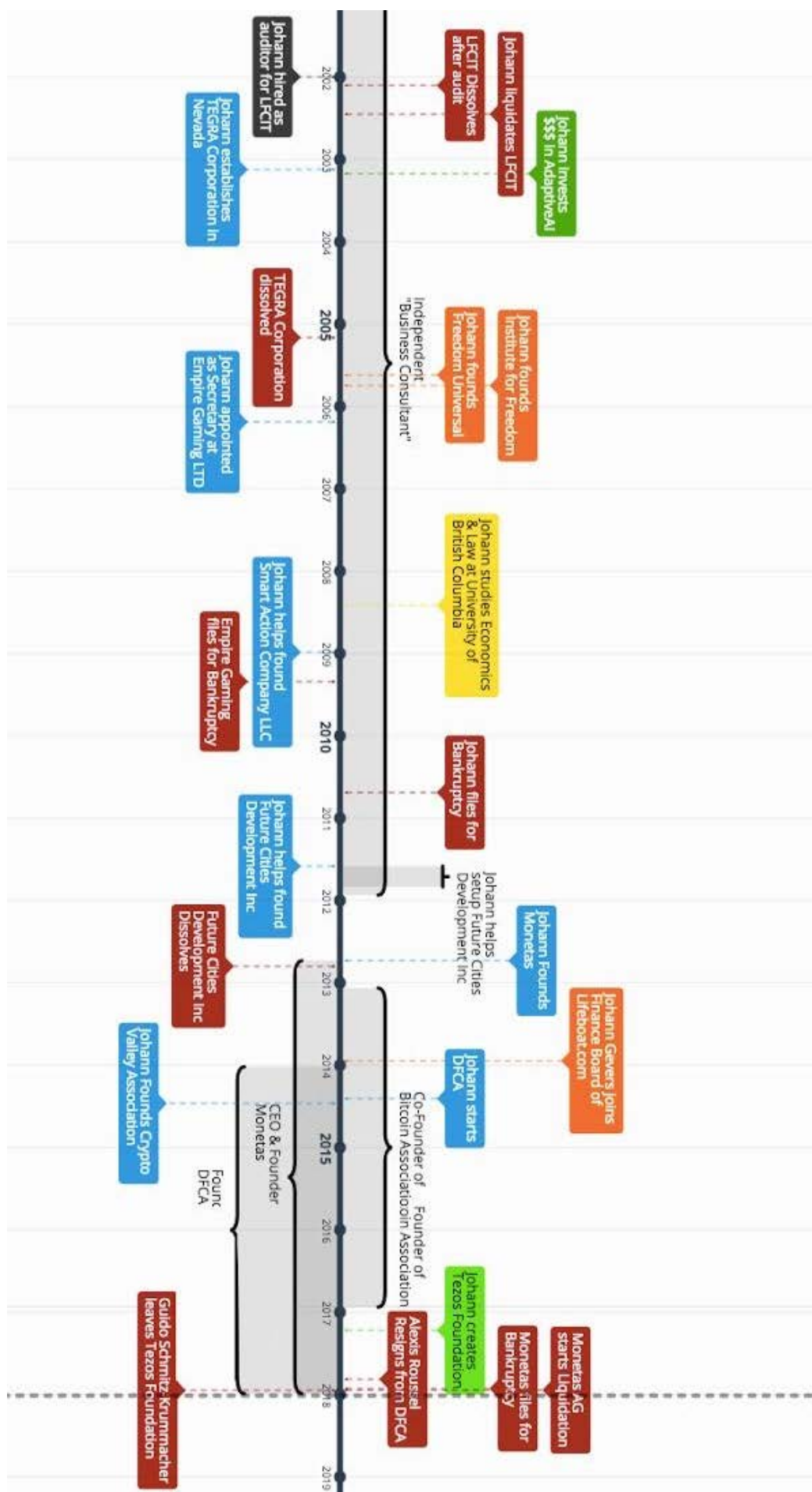
Graphical representation of Mr. Gevers' professional history

The number of failures that Mr. Gevers has launched is both impressive and shocking for someone allegedly qualified in matters of accounting, law and business. On the next page is a graphical timeline of Mr. Gevers' professional history. For a web formatted version click on the footnote.⁷⁴

⁷² <https://www.offshorealert.com/forums.aspx?g=posts&t=37064>

⁷³ <http://www.tezos.help/community-press-release.html>

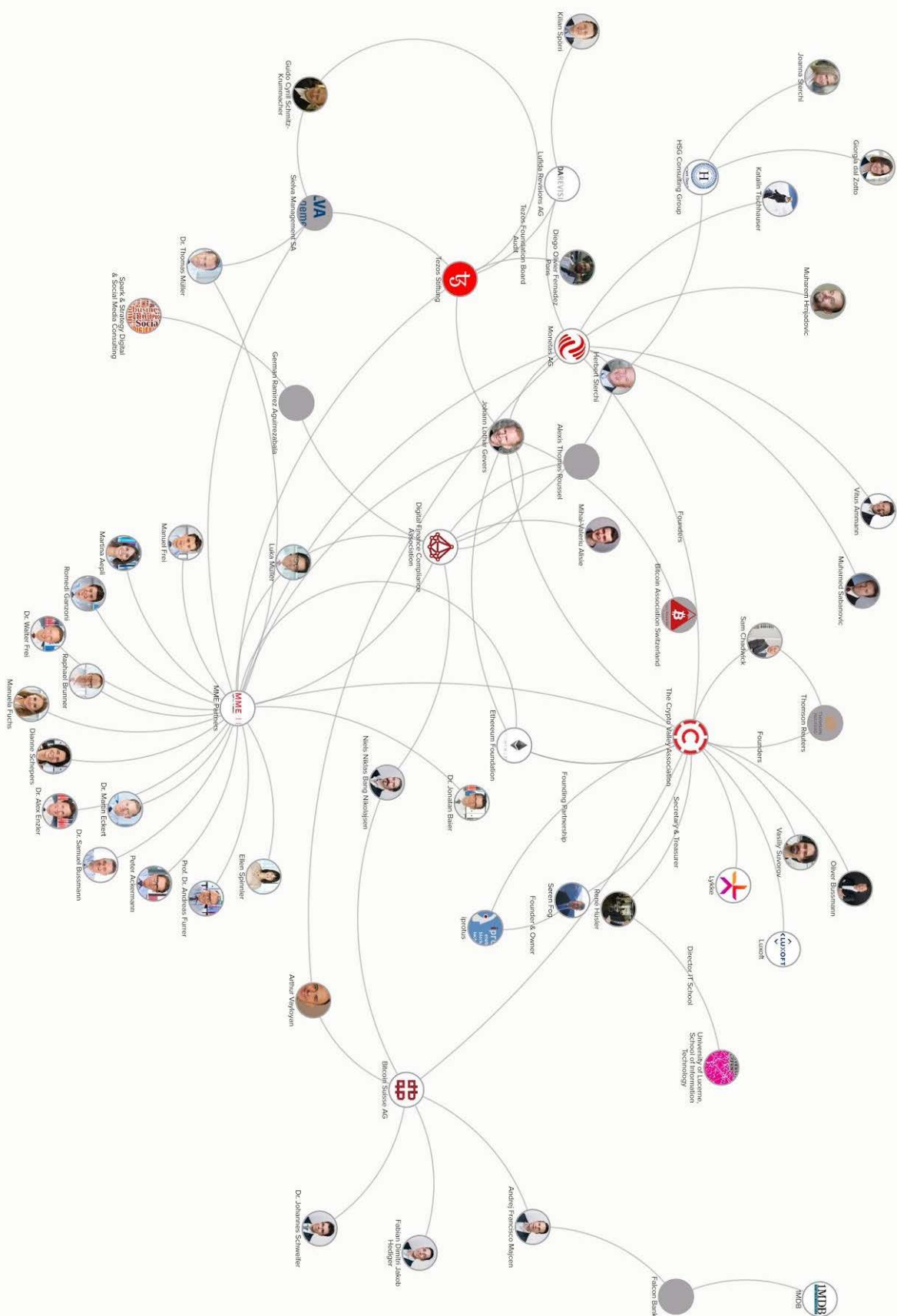
⁷⁴ https://drive.google.com/file/d/1SSPa_OXR7w-h3e4se6-vBWt5YyvxNSZm/view?usp=sharing



Mr. Gevers' network

Throughout his stay in Switzerland, Mr. Gevers operated by leveraging a network of consultants and legal firms that ultimately enabled him to become the “founder” of the Tezos Foundation. To truly understand the vast network that Mr. Gevers has leveraged, it is necessary to visualize it - below you can find a relationship map that outlines a lot of his connections in the so called “Crypto Valley.”⁷⁵

⁷⁵ <https://drive.google.com/drive/folders/1iBWFiYwCr52Hp9uD8cPOz-1FtGHvSQ0?usp=sharing>



Johann Gevers' relationship map showing several key relationships he has established in Switzerland at the onset of his career in the cryptocurrency world.

The relationship map reveals some possibly disturbing ethical conflicts of interest:

1. Mr. Gevers, MME Partners (a law firm whose members belong to the auditor MME Compliance AG), Sielva Management SA and HSC Consulting jointly created entities^{76 77 78 79} in Switzerland:
 - a. Digital Finance Compliance Association (MME Partners & HSC Consulting)⁸⁰
 - b. Monetas AG (MME Partners & HSC Consulting)^{81 82}
 - c. Crypto Valley Association (MME Partners)⁸³
 - d. Tezos Foundation (Sielva Management SA & MME Partners)^{84 85}

Thomas Müller, who is Legal Partner at MME Partners, advised on the creation of the Tezos Foundation and the formation of its board⁸⁶, with Mr. Gevers and Mr. Schmitz-Krummacher as initial board members. It is important to note that Mr. Schmitz-Krummacher's company, Sielva Management SA, has close, unclear, and potentially conflicted ties to MME Partners. The web site domain for Sielva Management SA uses the postal address of MME Partners for its Registrant, Admin, and Tech Contact.^{87 88} Similarly, other entities list the postal address of Sielva Management SA as the postal address of MME Partners.^{89 90}

This means that Mr. Schmitz-Krummacher's and Mr. Gevers' vote on the board of the Tezos Foundation may be compromised because of their connection with MME and conflicts of interest. This is particularly alarming since MME had a vested interest in protecting the reputation of its joint endeavors with Mr. Gevers and Mr. Schmitz-Krummacher by preventing negative publicity surrounding them.

It is further thought in the Tezos Community that MME Compliance AG may have conducted the audit of the Tezos Foundation on Mr. Schmitz-Krummacher's request, a clear violation of conflict of interest. Because of this web of intricate conflicts of interest, it is likely that the audit will never be released because it was done on the very orders of the people under investigation. A swift release of the full, un-redacted audit, which the Tezos Community Organizers⁹¹ have called for, would help remove doubts and allegations, dispel uncertainty and clear the names of the board members and MME itself. Failing this, a release of the audit by the Foundation Authority would rapidly bring the board governance problem to a close and allow the Foundation to proceed in its charter, instead of being seized in failure with Mr. Gevers at the helm.

⁷⁶ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=1537299>

⁷⁷ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=2586665>

⁷⁸ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=1537299>

⁷⁹ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=1161033>

⁸⁰ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=1537299>

⁸¹ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=1161033>

⁸² <https://www.swissreg.ch/srclient/faces/jsp/trademark/sr300.jsp?language=de§ion=tm&id=678778>

⁸³ https://web.archive.org/web/20170513010106/https://www.mme.ch/en/magazine/magazine-detail/url_magazine/mme_named_integral_part_of_crypto_valley/

⁸⁴ <https://www.shab.ch/shabforms/servlet/Search?EID=7&DOCID=3495003>

⁸⁵ <https://www.finews.com/news/english-news/28253-tezos-ico-swiss-foundation-dls-kathleen-arthur-breitman>

⁸⁶ <https://www.finews.com/news/english-news/28253-tezos-ico-swiss-foundation-dls-kathleen-arthur-breitman>

⁸⁷ <https://whois.icann.org/en/lookup?name=sielva-management.com>

⁸⁸ <https://www.mme.ch/en/>

⁸⁹ <https://www.moneyhouse.ch/en/company/kapstein-immobilien-ag-11504918391>

⁹⁰ <https://www.mme.ch/en/>

⁹¹ <http://www.tezos.help/community-statement-2.html>

2. Sam Chadwick, Financial & Risk Innovation team at Thomson Reuters, is part of the Crypto Valley Association board, and Thomson Reuters was a founding member of the association, which was purportedly founded with Mr. Gevers' and MME Partners' involvement.⁹² Reuters published an article soon after allegations against Mr. Gevers were made public in October, 2017 which not only sternly defended Mr. Gevers but also attacked the Kathleen and Arthur Breitman.⁹³ That a huge international news organization should come out with such bias on a first investigation suggests that an intricate and conflicted web of relationships is pervasive in Crypto Valley. Reuters has been the source of additional leaks from the Tezos Foundation on internal matters.⁹⁴

The current situation with the Tezos Foundation has recently raised a lot of concerns in the Cryptocurrency and Blockchain industry and has detracted from Zug, Switzerland as a friendly regulatory climate for "Crypto Valley." As we see with the Tezos Foundation, a single person, Mr. Johann Gevers, can actually impede the delivery and success of a network that is backed by \$1B equivalent in donations. The Tezos Community urgently hopes that the Swiss Foundation Authority take note and protect the integrity of the Crypto Valley.

Tezos Community

The Tezos Community *vehemently* opposes keeping Mr. Johann Lothar Gevers as the President of the Tezos Foundation for reasons enumerated in a widely circulated and supported Petition, and subsequent press release,^{95 96} signed by over 1600 contributors and well known members of the crypto community from over 95 countries, in December, 2017. The Tezos Community Petition requests Mr. Gevers' immediate removal from the board, and the subsequent statement urged that the new board member be "a demonstrably competent executive, highly respected in the crypto community, and completely independent," with "no prior dealings with current or former board members".⁹⁷

The Community further requests the direct intervention of the Swiss Foundation Authority in conducting an unbiased review of the activity undertaken by Mr. Gevers as President of the Tezos Foundation, Monetas AG, DFCA, the Crypto Valley Association and other organizations he is directly responsible for founding.

A thorough investigation into MME Partners' involvement in establishing and managing many of the Crypto Valley organizations, and subsequent web of conflicts of interests, would go a long way to prevent further damage to the reputation of Zug as a well regulated legal nexus adequate for the worldwide crypto community. The world community will be looking to see if the Swiss authorities take measures to bring an end to this awful episode so that the Tezos Foundation fulfills its charter to support the Tezos protocol.

This comprehensive review of Mr. Gevers' track record explains and justifies the concerns of the Tezos Community. It is not acceptable for Mr. Gevers to remain as head of the Tezos Foundation and to corrupt the good name of Zug from "Crypto Valley" into "Klepto Valley."

⁹² <https://cryptovalley.swiss/about-the-association/>

⁹³ <https://www.reuters.com/article/us-bitcoin-funding-tezos-specialreport/special-report-backroom-battle-imperils-230-million-cryptocurrency-venture-idUSKBN1CN35K>

⁹⁴ <https://www.reuters.com/article/us-bitcoin-tezos-lawsuits-exclusive/exclusive-tezos-founders-push-for-legal-bailout-from-swiss-foundation-idUSKBN1DV4K0>

⁹⁵ <http://www.tezos.help/community-statement.html>

⁹⁶ <http://www.tezos.help/community-press-release.html>

⁹⁷ <http://www.tezos.help/community-statement-3.html>

EXHIBIT 11

COURT RULING

Embattled start-up Monetas declared bankrupt

By swissinfo.ch and agencies

DEC 12, 2017 - 10:17



Monetas CEO Johann Gevers, left, with finance minister Ueli Maurer, earlier this year.
(Keystone)

The Swiss-based digital payment start-up Monetas has been declared bankrupt on Monday by a court in Zug. It's the latest blow for boss Johann Gevers, also under pressure regarding his role in the Tezos Foundation.

The decision by the cantonal court in Zug – where the start-up has been based since 2013 – to send Monetas into liquidation comes after a series of ominous signs in recent months.

In October, a note to investors signed-off by Gevers lamented that progress had ground to a halt following failure to find new investors; the company also let go of all its employees, retaining just a small core of contractors.

+ Read about the financial difficulties facing the start-up

"It's very disappointing that just when we were finally ready to capitalise on exciting commercial opportunities, we lacked the funds to execute," Gevers said in a note to investors sent on October 23.

Gevers declined to comment to media following today's ruling.

First established in Vancouver in 2012 and moved to Zug's so-called 'crypto valley' a year later, Monetas' aim is to provide smartphone payment services to underbanked developing economies. It is in talks with several African countries with a combined population of 300 million.

It's Director, South-African Johann Gevers, is also in charge of running the Tezos Foundation – a cryptocurrency project – where he has come under fierce pressure from founders Arthur and Kathleen Breitman.

They have accused him of not only presiding over a period of inaction, but also "an attempt at self-dealing, misrepresenting to the council the value of a bonus he attempted to grant himself." Recent reports however suggest that Gevers may emerge from the challenge intact.

In this letter to investors on November 30, Gevers insisted things were improving for Monetas, but the company went bust weeks later.

To print the document, click the "Original Document" link to open the original PDF. At this time it is not possible to print the document with annotations.

swissinfo.ch and agencies/dos



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EXHIBIT 12



INVESTOR UPDATE - November 2017

2017-11-30

Dear Investors

First Commercial Customer

In the October update I mentioned we were in advanced negotiations for our first commercial contract. We can now report this deal is signed and sealed, and our team is hard at work developing the solution for our first commercial customer. In fact, we have already received the first small progress payment!

This first contract runs until mid-2018. If everything continues going according to plan, Monetas will achieve profitability by Q2/2018. And we already have additional commercial contracts in the works.

But we won't count our chickens until they've hatched. It's possible, for example, that our current contract could be cancelled before completion, in which case only a portion of the contract revenue would be realized. Or we may experience cost overruns or project delays.

Nevertheless, it's fantastic to finally be earning our first commercial revenues after years of building the Monetas platform. [This — earning our first commercial revenues — is the most important milestone since our founding five years ago.](#) I'm now cautiously optimistic that we might be on the road towards a turnaround.

The Media Furore

Many of you have no doubt seen the bizarre things said about me, Monetas, and Tezos in the media and on social media. I now understand — more than ever before — the price paid by those who take on big goals. "Tall trees catch more wind..." Needless to say, there is virtually no semblance of reality in the media stories. For the record, I did not do anything unethical, nor did I attempt to do so — quite the contrary. The lies being perpetuated have already been exposed as utterly false by independent investigators. Truth, justice, and integrity will win out.

And now, back to work on productive things.

Onward and upward!

Johann Gevers

Founder and CEO, **Monetas**, Zug, Switzerland